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SHARIF RAHIMZODA

THE ECONOMY OF TAJIKISTAN IN THE CONTEXT OF GLOBALIZATION

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This monograph discusses the issues of globalization and its impact on the national economy, politics, culture and effective implementation of economic, fiscal and monetary policy.

The development of global economy and individual countries in interconnection, the impact of innovative technologies on development, possibility of the use of affordable labor force and capital, access to global financial markets gave an impetus to economic and societal development of countries whether or not we wish it. This paper covers the issues of globalization and its impact on national economy, industrialization as the new source of economic growth, the need for further agricultural development, the role of small and medium enterprises and farming ownerships in the development of economy and creation of jobs, and associated challenges, and provides recommendations on improvement of the system of governance, accounting, crediting, public support and other areas.

This paper is intended for researchers, professors and students of the universities of economics, postgraduate and doctoral students.

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INTRODUCTION

Pursuing an effective economic policy with a view to ensuring sustainable economic growth, ensuring its management based on long-term national strategies, adoption of laws and regulations meeting the time requirements, ensuring a favorable environment for development of manufacturing, entrepreneurship and investment is key to the sustainable development of any economy. This is the reason all possible measures have been undertaken to ensure acknowledgement of the Republic of Tajikistan as a subject of international relations and establishment of diplomatic and economic ties with other countries based on the interests of the parties. As the world economy is a complex system of economic ties and cooperation in various areas within the current context, it cannot exist without general rules. With this in mind, Tajikistan has gradually acceded to international organizations and established economic relations with other countries of the world.

Bilateral and multilateral relations with countries of the world requires enforcing general rules and integrating into the universal transnational processes. One of the major trends in the contemporary globe is the globalization of economic activities. This process is continuous with each stage of it having its own specifics. Globalization is linked to the new level of humanity's progress in ensuring development of science and technology and is based on achievements in the areas of information and communications, which changed the manufacturer's quality and profile.

Like all other objective processes, the globalization has its own strength and weaknesses. From one hand, it provides new opportunities for development of the national economy of individual countries and leads to stronger manufacturing and commercial relations, encourages economic growth and wider exchange in achievements of science and technology, while on the other hand, preferred encouragement of market principles lead to greater unequitable development of the economy of selected countries, greater influence of transnational companies on the economy and market, insustainability in the national economic growth and increased migration of the population.

Globalization not only leads to higher speed of economic universalization, but also its transfer to a qualitatively new level. This objective process, which is beyond the desire of selected individuals, is based on the need to ensure economic progress, improvement of people's living standards, being up-to-date with the global development, ensure competitiveness of local goods and services in the global markets and other reasons.

The importance of this issue is mainly reflected in the fact that Tajikistan, whether or not we wish it, has integrated into the globalization process, the advantages and disadvantages of which will have a certain impact on the country's economy and social sector. The task of scholars in this stage is to study the global experience and make recommendations that could lead to greater use of its advantages and minimize the impact of the disadvantages of globalization on the economy and the people's living standards in the country.

As for benefiting from advantages and minimizing the negative impact of the globalization disadvantages on the economy, it depends on the level of preparedness of public institutions and the public, the society's mindset and its preparedness to participate in competition for jobs and getting a share in the global markets, increasing share of adding value to products and services, conti-

nuous reform of economy based on development of science and technology, timely application of these achievements and other factors.

The need for successful integration into the globalization process and minimization of its negative impact on the economy and people's living standards requires ruuning effective economic policy, including the industrial one, and properly arranging the economy's structure and functioning of its various branches. This is the reason, the National Development Strategy of the Republic of Tajikistan for the period up to 2030 (NDS-2030) determines the industrialization as the national objective 4 and offers the ways of its achievement. The NDS-2030 particularly envisages improvement of the sector's structure and increasing the industrial products' share in GDP up to 30 percent to achieve expedited industrialization.

Although based on the NDS-2030 and other government programs the industry will receive a greater focus onwards, ensuring further development of other areas, including the agriculture will remain as the main task of public institutions, hense, running an effective economic policy requires balanced development of all sectors of the economy and failure with these principles can lead to uprise in prices, failure with macroeconomic indicators and social challenges in the country.

Running an adequate agrarian policy, training highly qualified professionals, applying the achievements of science and technology, and introducing the system of agricultural support, promoting marketing of its products in the international markets by building on the experience of other countries and other activities would facilitate agricultural development.

Small and medium enterprises in the majority of countries serve as the main driver of development and have a significant share in the GDP, employment and fiscal revenues. They also play an important role in addressing social issues. Therefore, the national economic growth strategies and programs pay an utmost attention to this aspect of development and create favorable environment to ensure their growth.

The state's goal and the main objectives of its economic policy is to ensure or achieve balanced progress of the economy's sectors, encourage economic growth, ensure high rate of employment, maintain targeted inflation, ensure sustainability of the purchase power parity, regulate the external economic activities, ensure economic security and effective economic activities.

With regard to fiscal policy, the task of the State is to ensure environment for formation of greater financial resources, minimize the tax burden, regulate the govern-

ment commitments, use financial resources in addressing priority issues, minimize the dependence of fiscal revenues from the fluctuation of exchange rate and prices in the global market, establish an effective system of inter-budget relations and manage public financial resources.

Pursuing an effective fiscal policy with a view to increasing public budget and ensuring fulfilment of social commitments necessitates reforms and continuous improvement of fiscal relations. Adoption of laws and sub-laws meeting the contemporary requirements, effective and timely implementation of sector-specific strategies and programs and thereby ensuring achievement of macroeconomic indicators guarantees development of the economy.

Protection of the country's interests in the globalization processs is subject to formation and adequate use of budget resources, effective operations in selected areas of the economy, improvement of tax culture in the society, development of production and services in all areas, and running an adequate monetary policy. Therefore, this paper pays a particular attention to improvement of the system of debt relationships and pursuance of fiscal policy.

The country's economy always needs to be reformed, hence, as a part of the global economy, without advancement it cannot meet the ever growing need of

people. Continuous reform will make it possible to bring the economy management system, approaches and procedures of economic policy pursuance in line with the contemporary requirements and thereby ensure effectiveness of the applied economic system and meet the daily needs of the people. Overall, the supreme and ultimate goal of the reform is to promote improvement of the environment and enhance the living standards of the country's population.

CHAPTER 1
TAJIKISTAN – SUBJECT OF INTERNATIONAL RELATIONS

1.1. Tajikistan's independence and development of its economy

Following the adoption of the Declaration of Independence of the Republic of Tajikistan on September 9, 1991 countries of the world officially acknowledged Tajikistan one after another. Based on the Declaration "Republic of Tajikistan, as a sovereign subject of international law, establishes diplomatic, consular, trade and other relations with foreign countries, makes exchange of authorized representatives with them and concludes international agreements" [1, p. 3]. This is the reason, the Government of the Republic of Tajikistan has been undertaking appropriate actions to develop mutually beneficial cooperation with the countries of the world since the early days of the country's independence.

The goal of the Government of Tajikistan was to integrate into the world community through establishment of diplomatic relations and entrance into agreements with the countries desiring to enjoy cooperation with Tajikistan based on equal rights and mutually beneficial relations, as well as membership with international organizations and development of mutually rewarding ties with them.

Recognition of the Republic of Tajikistan as a subject of international relations provided an opportunity for the country to be acceded by international organizations and financial institutions. Along other countries, Tajikistan is now a member of the United Nations, Organization for Security and Cooperation in Europe, Organization of Islamic Cooperation, Economic Cooperation Organization, Commonwealth of Independent States, Shanghai Cooperation Organization, International Monetary Fund, World Bank, Asian Development Bank, Islamic Development Bank, European Bank for Reconstruction and Development, Eurasian Development Bank, World Trade Organization and many other organizations (57 organizations in early 2018) and proactively participates in their management and benefits from the opportunities they provide.

Strengthening of diplomatic relations, launch of the other countries' embassies in Tajikistan and vice versa made it possible to establish friendly and mutually rewarding ties with these countries. The country signed various agreements, including on economic cooperation, which serve as the foundation for establishment of economic and trade ties. Unfortunately, the civil war and unrests in the country led to economic downturn and declined living standards of people.

Residents of Tajikistan feel honored to attain independence and the opportunity for establishment of their national state after thousands of years, however, Tajikistan, right after attaining independence, was engulfed into civil war. Its leadership and people, instead of formulating the system of governance, ensuring economic development and improving the population's living standards, had to deal with the challenges of that time and ensure peace and stability in the country.

In this period, the economy was crippled, the majority of enterprises stagnated and qualified labor force left Tajikistan. Managers of some enterprises abused the lack of control and engagement of relevant government agencies with challenges and moved the equipment and technologies of their facilities to other countries. Lack of capacity for cultivation of arable lands, labor force, fuel and

mineral fertilizers, lack of resources for repair of agricultural machinery and other issues led to decline of the economy's various sectors. As a result, manufacturing of industrial products and services declined rapidly and the gross domestic product (GDP) was hit by more than two times between 1992-1997. And the poverty engulfed more than 83 percent of the country's population in this period[1].

Some of the country's economic sectors failed as early as in 1989 due to the USSR's economic collapse, while the current Tajikistan was a part of it. As a result, construction of many strategic facilities such as 'Roghun' hydropower plant was suspended. The country's GDP has rapidly failed by 6.2 percent in that year. The economic collapse from one hand, and the failure of the soviet governance system and vitalization of so called "Islamic" groups, which wanted to establish islamic regime, on the other hand, led to engulfment of the newly independent Tajikistan into imposed civil war. As a result, the country's economy devastated. By 1997, the country's Gross domestic product (GDP) failed by 64.9 percent and was equal to 34.1 percent of the GDP of 1991. Luckily, after

[1] Tajikistan: 25 years of state independence. Agency on Statistics under President of the Republic of Tajikistan. – Dushanbe, ToRus LLC, 2016 – 562 p.

restoration of peace and unity, i.e. since 1997, a new economic development phase has started in Tajikistan. This proved that the security and stability is the primary key to economic growth and accordingly the improvement of population's living standards. Particularly, in this period new production capacities were put into operation and banking and non-banking crippled institutions were restored. The national economic growth increased from 1.7 percent of GDP in 1997 to 11 percent in 2003. The following years also, despite the impact of external shocks, the country's GDP growth was maintained at a high rate compared to other countries.

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Reforms in various areas of the economy, cooperation with international financial institutions and implementation of economic development programmes would not bring the desired outcome, as it was difficult to mobilize domestic and foreign capital for the economic development due to the unfavorable economic situation associated with martial circumstances. There also was a limited capacity for establishment of a favorable investment environment.

After signing the General Agreement on the Establishment of Peace and National Accord in Tajikistan in 1997 and returning refugees to the country, it became possible to run reforms and implement domestic and for-

eign policy aimed at overcoming the war consequences, restoring agriculture and industry, establishing a modern system of governance and ensuring sustainable economic growth.

Running an effective economic policy aimed at ensuring sustainable economic growth, introducing its management based on national long-term strategies, adoption of laws and resolutions in line with the requirement of the time-being, ensuring a favorable environment for production growth and development of entrepreneurship and investment made it possible to achieve national sustainable economic growth. This resulted in annual growth of GDP, achievement of other macroeconomic indicators and improvement of living standards of the population. As the economic growth mainly started in 2001, the statistic indicators for 2001-2018 are used to analyze the country's economic situation.

Last year (2018) the country's GDP grew by 7.3 percent, which is the best indicator compared to other countries. The annual global GDP growth makes up to 3 percent only. Tajikistan is the leading country in terms of economic growth indicators as the economic progress of all countries is defined based on GDP per capita and this indicator in Tajikistan has been increasing with a high

rate. In 1997, the GDP per capita was 155 U.S. dollars. With the growth of GDP (late 2018) this indicator accounted to more than USD 3000. Now it is important for us to increase the GDP growth per capita by 12-13 percent by undertaking actions, particularly through establishment of new industries, and taking into account the population growth.

The GDP increased from TJS 2.56 billions in 2001 to TJS 68.8 billions in 2018 or by 27 percent in this period. The public budget's greater capacity and the use of a part of it for construction of public facilities, renovation and construction of power plants, railways and motorways, tunnels, improvement of investment climate, establishment of enterprises and new jobs in the industry icreased this sector's share (from 9 percent in 2001 to 17.3 percent in 2018) in the GDP. In the agriculture, development of new fields of farming (setting up intensive orchards, livestock farms equipped with the latest technologies, greenhouse production, warehouses for storage of agricultural produce and so on) also led to increased agricultural output and effective production in this sector. This period witnessed high rate of development in the construction sector also.

Services is another sector with a significantly increased share (from 30.8 percent in 2001 to 43.7 percent in

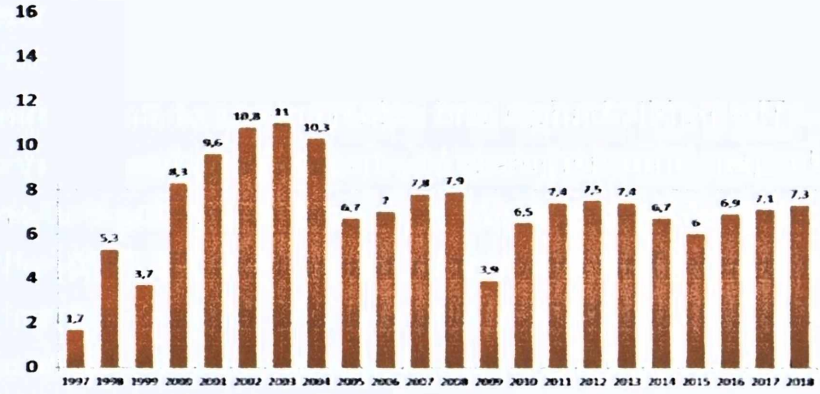
2018) in the GDP. The share of services has been increasing year after year given the high speed of globalization and introduction of science and technology innovations and their application in production.

Proclamation of 2018 as the Year of Tourism and Folk Crafts and additional funding for development of the tourism infrastructure as well as tax exemption of folk craft products would lead to further increase in the share of this sector in the GDP.

Along the progress made in the aforementioned sectors, it is important to ensure the real GDP[2] growth in order to ensure sustainable socio-economic development and improvement of the population's living standards (Graph 1).

As we see from the graph 1 below, in 2001-2018 the real GDP average annual growth accounted to 7.7 percent, which is indeed a high indicator. Globally, in 2018 this indicator accounted to 3.1 percent in average and from 0.6 percent (Japan) to 2.3 percent (United States of America) in advanced countries.

[2] The GDP's real growth means its increase taking into account the inflation rate. For instance, in case of 5% inflation and 7% increase in the nominal GDP, the real GDP growth would account to two percent.



Graph 1. **Real GDP growth (in%)**[3]

The GDP per capita is another macroeconomic indicator reflecting the country's economic growth and its population's living standards at the global level. In this period, it increased from TJS 2739 in 2001 to TJS 7565 in 2018 or by 2.8 times. The global ranking of this indicator splits the countries into upper, medium and lower-income countries and the international financial institutions provide technical and grant assistance to countries based on this ranking. Tajikistan, based on the improvement of its financial situation, was moved from the list of low-income countries into the list of lower-middle income countries in 2016, which means lower share of grant

[3] Source: Annual reviews of the Agency on Statistics under President of the Republic of Tajikistan for relevant years

and greater share of loan assistance to be offered to the country onwards.

The public budget and achievements of its revenue and expenditure targets is key to ensuring the country's security, addressing social issues and supporting vulnerable groups. This indicator increased from TJS 382.3 million in 2001 to TJS 23.3 billion in 2018 or by 61 percent. Increased budget has widened the capacity of the State in addressing social issues and ensuring the country's economic growth.

The Government of the Republic of Tajikistan attained a chance to channel a part of the budget resources to construction of 'Roghun' Hydropower Plant, other small power plants, electricity transmission lines, renovation and construction of roads, tunnels, schools, hospitals and other social infrastructure.

The average wage in this period increased from TJS 23.5 in 2001 to TJS 1324 in 2018, which is the indicator of economic growth and population income rate. This is the reason, in this period the population monetary income increased from TJS 1.3 billion in 2001 to TJS 33.2 billion in 2018. This increase led to improved living standards of population and reduction of poverty rate from 83 percent in 2001 to 27.4 percent in 2018. In this regard, the Executive Order No. 697 of the President of the Republic of Ta-

jikistan of 6 June 2016 determined the minimum wage at the rate of TJS 400 in all socio-economic sectors of the country while it was TJS 2 in 2001.

Targeting inflation was another task of governmental institutions in this period. By running an adequate monetary and fiscal policy, the relevant agencies managed to maintain the targeted inflation rate. In 2001 the inflation rate made 36.5 percent and would cause challenges in ensuring economic progress and achieving other macroeconomic indicators. Pursuing an adequate economic policy made it possible to decrease the inflation rate to 5.4 percent in 2018.

Thus, the country's economic performance has improved since its independence and the population's living standards as well as economic growth improved sigi-nificantly.

1.2. International economic relations and Tajikistan's involvement in globalization process

In the contemporary context the global economy is a complicated system of economic relationships and cooperation in various areas, which cannot exist without general rules. This is the reason, why the Republic of Tajikistan gradually acceded to international organizations and

established economic relationships with the countries of the world.

Furthermore, with a view to encouraging greater domestic and foreign investments, the Government has been undertaken various actions to improve the investment climate. Establishment of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan in 2007, convening annual meetings of President with entrepreneurs, reforming various sectors of the economy (finance, taxation, banking, customs, power supply system, system of permits and licensing and so on), regulation of the activities of businesses, and announcement of multiple moratorium for inspection of businesses made it possible for Tajikistan to be three times in the list of top ten reformers in the World Bank's Doing Business Report. [35./tajikistan]

Another success of Tajikistan was the fact that the country got out of the 2008-2009 financial crisis with the least losses. The negative impact of this crisis on the economy of partners of Tajikistan led to decline of their GDP and population living standards. Pursuance of an adequate macroeconomic policy, and development and implementation of anticrisis action plans enabled Tajikistan to achieve 3.9 percent growth of GDP and maintain the inflation rate at the level of 6.4 percent in 2009 despite

the negative impact of the financial crisis. This action enabled the country to restore its previous economic growth rate (6.5 percent) starting from 2010.

Other achievements of Tajikistan include its accession to the World Trade Organization (WTO) in 2013 after 12 years of efforts. Coordination and alignment of domestic and external trade rules and regulations, adoption of relevant laws and regulations, introduction of amendments into existing laws and regulatory documents, signing agreements with the Organization's member states and the General Agreement with WTO, and recognition of the Republic of Tajikistan as a member of this institution was another step towards acknowledgement of the country's economic independence.

The objective from membership to WTO and integration into international trade system first and foremost was to create opportunities to facilitate further integration of the country into the global economy as follows:

- Gain better and nondiscrinatory condition to ensure access of local goods and services to global markets;
- Free and nondiscriminatory transit of the Tajik companies' goods and cargo through the territory of other WTO member states;

- Improve investment climate with a view to ensuring a favorable environment to mobilize domestic and foreign investments;
- Create a favorable trade environment through reducing tariff and non-tariff barriers, free trade, avoiding administrative interference into activities of businesses;
- Participate in improvement of international trade regulations taking into account the national interests of the country;
- Make use of the WTO trade information database needed for implementation of trade and economic policy;
- Conduct consultations with the WTO member states to find reliable trade partners and explore new markets for marketing of local goods and services;
- Use the compulsory trade dispute resolution mechanisms through WTO's relevant agencies; and
- Improve Tajikistan's reputation in the international arena as a full-fledged international trade actor.

Signing agreement with the World Trade Organization and undertaking commitments to align the trade rules, customs tariffs and norms during five years after accession and establishment of relevant institutions with-

in the designated ministry speeded up the process of the country's integration into the global trade system.

Obviously, the foreign economic policy is the targeted operation of public institutions towards establishment and application of international relations with a view to strengthening political, economic, military and social capacity of any country, as well as effective engagement in the global economy. As an integral part of foreign policy, it encompasses setting up foreign trade, investment, monetary and customs policy. Its objective is to protect the country's interests in establishment and regulation of importation and exportation of goods, reduction of service cost in this area, gain preferences, and promote profitable marketing of local goods and products in the global markets.

Annually increasing trade volume and the need for regulation and formulation of foreign economic relationships requires effective operation of public institutions. Establishment of the National Development Council and the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan laid a foundation in defining the national economy development directions and objectives and creating a favorable environment for mobilization of domestic and foreign investments, strengthening trust, encouraging and

ensuring participation of foreign companies in implementation of investment projects in Tajikistan, using the country's energy resources to meet the demand of neighboring countries through construction of power plants, high-voltage electricity transmission lines, including CASA-1000, and roads linking Tajikistan with its neighbors and other initiatives.

Reforms in this area, cooperation with international financial institutions, overcoming barriers in investment mobilization and protection, acceeding to international conventions and treaties protecting the rights of investors and other actions led to improvement of the investment climate in the country.

The 'Open Doors' policy and protection of investor's right made it possible to establish direct economic and trade relations with more than 140 countries in the world.

As it was mentioned above, Tajikistan's economic development started mainly in 2001 due to challenges at the early years of country's independence. In this period, the country's foreign trade increased from USD 1.3 billion in 2001 to USD 4.2 billion in 2018. In between (2013, 2014) this indicator reached USD 5.3 billion, however, the challenges of the recent years and worsened economic situation in Tajikistan's economic partner countries led to decline in foreign trade.

While the share of alumina and cotton in the export made more than 70 percent at the beginning, later it went down to 30 percent and were replaced by minerals, precious stones, gold, silver, fruits, vegetables and other goods. These changes necessitated changing the direction of economic and trade cooperation. During the soviet times alumina and cotton used to be mainly exported to Russian Federation and later to Turkey, Switzerland and other countries. Reduced share of alumina and cotton in the overall export and shift to manufacturing of other products led to the need for cooperation with other countries, particularly in South Asia. With a view to regulating economic and trade relations, gaining preferences, avoiding double taxation and addressing other issues within bilateral ties, Tajikistan established intergovernmental economic, trade, scientific and technical cooperation commission with 42 countries. These commissions discuss the issues of investment mobilization, preparation for implementation of investment projects, specific actions on protection of investment, expansion of relations and meetings of business communities, increasing foreign trade, exchange of information on investment climate and challenges, priority areas, encouraging companies to invest in industrial areas and free economic zones. They also focus on the establishment of joint ventures on

processing of agricultural, garment industry, and silk-worm husbandry products, production of coal-based fuel, study of the potential for establishment of companies for processing of decorative construction materials, textile, carpet weaving, relevant actions with regard to development of competition and encouragement for additional cargo transportation in transport highways, preferential tariffs for transportation of goods, establishment of joint ventures in the territory of both countries for exploration and extraction of oil and gas, fuel (petrol, diesel, jet-engine fuel, heating oil, lubrications) geological prospecting of mineral deposits, training of professionals and other issues. Constantly increasing foreign investments and thereby development of the country's priority sectors, establishment of industrial and agricultural enterprises, renovation and construction of bridges, railways and motorways, tunnels, power plants and substations, energy distribution networks, hotels and resorts, training of professionals and students and other activities vividly prove the positive results of the country's economic policy.

Currently, the external economic relations priorities include implementation of CASA-1000 electricity transmission line project, Dushanbe - Republican Subordination Districts electricity transmission line, construction of the Tajik section of the Turkmenistan - China gas pipe-

line, Turkmenistan-Afghanistan-Tajikistan railway, Iran-Afghanistan-Tajikistan-China railway, Silk Road Economic Belt, development of infrastructure through the bank established within this project and other projects ensuring economic growth of the country. Along with entrance to multiple international agreements in the field of foreign trade on transportation of goods, drafting and signing Tajikistan-Afghanistan-Pakistan Trilateral Transit Agreement is also of importance.

Indeed, many achievements were accomplished in this period, however many other things are still ahead. While Tajikistan and the European Union (EU) signed the EC-Tajikistan Partnership Cooperation Agreement as early as in 2004, Tajikistan has not still fully benefited from the opportunities and preferences envisaged in this document. Though Tajikistan became a fullfledged member of the World Trade Organization in 2013, it has not yet implemented all of its commitments and accordingly has not been enjoying the benefits and the opportunities offered by this Organization. The changing global economic situation necessitates adjusting the country's foreign economic policy to the situation in place. Without addressing these issues, it would be impossible to achieve the expected outcomes of the programs adopted and indicators of the National Development Strategy of the Republic of

Tajikistan for the period up to 2030 and midterm development programs.

Foreign economic policy for foreign trade and investment can be effective only with an adequate monetary and customs policy. The monetary policy encompasses adequate establishment of monetary relations with other countries and exchange rate policy. Depending on monetary policy of other economic and trade partner countries, we need to change our monetary policy accordingly. If our trade partners decrease their exchange rate, we also need to change our national currency exchange rate depending on the share of foreign trade with these countries; otherwise, we will lose from the sales of our products in those markets. In order to protect the interest of the country and domestic producers, while running economic policy, particularly during unfavorable economic situations, it is primarily important to identity which of this policy's main objectives is priority for the Government. These indicators include ensuring economic growth, avoiding increased unemployment and inflation, and balanced export and import. Obviously, maintaining national currency exchange rate at a certain level is not the primary indicator and building on it during crisis or unfavorable economic situation would weaken the economic growth and increase unemployment. While run-

ning economic policy, the revelant institutions need to ensure the implementation of the main indicators.

Adequate customs policy would make it possible to protect the economy from import of low quality products and create a favorable environment for manufacturing of domestic product. Changing customs fee and duties and their application in customs control would make it possible to protect domestic producers from unfair competition. Customs revenue targets can be reached through control of exchange rate like they do it in the Russian Federation, Kazakhstan and other countries. Thus, effective foreign economic policy, identification and coordination of beneficial economic and trade cooperation areas, creating further favorable environment for foreign and domestic investors and protecting their rights, protecting domestic markets from the import of poor quality products, maintaining consumer purchasing power, cooperation with international organizations on preparation of sectors and training of entrepreneurs for production of competitive products, getting access to regional and global markets, and addressing other relevant issues would be the key to ensure the country's economic growth and achievement of its macroeconomic indicators.

1.3. Tajikistan's rank in terms of globalization

Globally, there are many institutions studying the different aspects of the world community development, including globalization processes. For example, Swiss Economic Institute jointly with the Swiss Federal Institute of Technology since 2002 have been identifying the globalization index of the countries, which is used by international organizations to identify the level of countries' development, effectiveness of undertaken reforms, integration of the country's economy into the global economy and other indicators. The country's globalization level is identified based on 24 indicators classified into three groups as follows:

1. Economic globalization with indicators of international trade, level of engagement of entrepreneurs, international investment, tariff policy, limitations and taxation of international trade and other indicators;

2. Social globalization with indicators of cultural integration, share of foreign citizens, international tourism, telephone traffic, international postal money transfers, development of information and communication infrastructure, international information flow and so on;

3. Political globalization with indicators of membership in international organizations, participation in international missions, including missions of United Nations

(UN), ratification of international multilateral agreements, quantity of the country's embassies and missions oversees.

References of the United Nations, International Monetary Fund, World Bank and other multilateral and bilateral organizations and institutions are used as statistics sources for calculation of the index.

In 2017, a study identified the level of globalization[4] in 193 countries, including Tajikistan, according to which advanced countries (Netherlands, Ireland, Belgium, Austria, Sweden, UK, U.S. and others) led the list. Among the former soviet countries Estonia, Lithuania, Latvia are respectively ranked 28th, 32nd, and 41st while Ukraine, Russian Federation, Georgia, Armenia, and Azerbaijan are listed in 45th, 48th, 65th, 83rd, 90th. Out of Central Asian states, Kazakhstan is ranked 91st, Kyrgyzstan 100th, Tajikistan 154th, and Uzbekistan and Turkmenistan 166th and 177th in terms of globalization.

It is important to outline that Tajikistan was ranked 199th and 180th in 2010 and 2015 respectively. Tajikistan's accession to WTO in 2013, and reforms on adjustment of customs tariffs, simplification of documentation, elimination of barriers to international trade, and the improved investment climate increased the foreign investment, en-

[4] http://gtmarket.ru/ratings/kof-globalization-index/info 09.04.2018

sured stronger engagement of entrepreneurs, cultural integration, share of foreign citizens, creation of favorable environment for and development of international tourism, increased telephone traffic, international postal money transfer, development of information communication infrastructure, international information flow, ratification of international multilateral agreements and thereby improvement of the trust by investors into the country's economic potential and annually launching new embassies and missions in other countries has been leading to higher globalization rate of Tajikistan.

Improvement of the above-mentioned indicators, in turn, would improve the rating of Tajikistan on indicators of human development, longevity, social development, happiness, literacy, healthcare and education expenditures, environmental efficiency, gender equality, elderly people's living standards, GDP, economic freedom, global competitiveness, doing business, protection of property rights, public administration quality, development of e-government, democracy, rule of law, freedom of media, fight against corruption, and other indicators.

Overall, achievement of social, economic and political indicators would promote improvement of public welfare, which is the core objective of the Government reflected in its strategy and programs.

CHAPTER 2
GLOBALIZATION IS AN IRREVERSABLE PROCESS

2.1. Globalization and its causes

According to Wikipedia, "Globalization is a worldwide process of economic interaction and integration among people (from Latin: Integratio - connectivity), and economic, political, cultural, and religious unification". [31. /wiki/Глобализация]

The definition of globalization for the first time was applied by American scholar Roland Robertson in 1983. In 1992, he offered the concept of globalization. Along with R. Robertson many scholars (I. Walersteyn, A. Giddenson, M. Castells, U. Beck, A. Utkin and others) completed scientific research on this process, its causes, advantages and disadvantages.

In Tajikistan, scholars and experts Fattohzoda C., Saidzoda Z., Kholiqov A., Kalonzod A., Sattoree Q. and others studied mainly the impact of globalization on se-

curity, culture, language, ideology, ethics, and family. Regretfully, economic globalization and its impact on Tajikistan's economy so far has not been the subject of in-depth studies.

The majority of scholars are of view that the globalization process started in the period of Alexander the Great, and beginning of colonializm that led to devepment of international politico-economic relations. Thanks to accelerated development of science, engineering and economic cooperation during the recent decades the globalization attained universal nature.

In the globalization process, the world economy structure, which initially comprised of national economies, undergoes changes. While in the past countries had weakly developed relations, now they have to widely establish such relations. The globalization results include global division of labor, migration, use of capital, labor force, production resources, harmonization of legislation, economic and technological processes and rapprochement (convergence) of the cultures of different nations at the global level.

Now this process gained a specific speed, and whether or not we wish it, all countries have been integrating into it. While in the mid 19th century 90 percent of goods used to be consumed in the distance of no more

than 90 kilometres, currently, when manufacturing became international, raw materials are transported from the distance of thousands of kilometres. Some 63 000 transnational enterprises and their 690 000 branches with assets amounting to USD 11 trillion, generate 33 percent of the global GDP.

The active trade relations are the indicator of accelerated economy globalization. According to estimates, in the mid 19th century, the global commodity turnover accounted to USD 15billion (based on the prices in the 1990s of the 20th century). Based on the UN data, it reached USD 7.37 trillion in 1993. And, at the early 21st century, the global commodity turnover amounting to more than USD 14 trillion, exceeded the indicators of the mid 19th century by almost thousand times. [32./econs-107-1.html]

Based on the WTO data, the international trade services increased from USD 2.9 trillion to USD 4.8 trillion or by 65.5 percent, including transport services by 37 percent, tourism by 72 percent and other services by 75 percent between 2006-2016. It is important to outline that based on accelerated development of science and engineering and application of its achievements in the international transport, the amount of transport services declined by 38 percent in 2014 - 2016. [33./ WTO Chapter 02 e.pdf].

Since the end of the 20th century, thanks to globalization the world has been transforming into a unified system. Along with formulation of a single platform, in which the labor force, goods and services, and information and capital move freely, the currently operative financial and credit institutions (IMF, World Bank, IDB, ADB and other organizations have been developing and an effective system of their interaction has been formulating). For example, IMF, based on its objectives and effective operation, is recognized as the umbrella bank of the central banks around the world.

Globalization means creation of international legal, economic and information space, which, in turn, led to speedy formulation of politico-economic relations between the countries.

The reasons and grounds for turning into globalization are:

- Accelerated development of science, engeneering and technology in the fields of transport and communications, which led to reduced cost of transport and communications, processing, delivery, storage and use of information. Since the core objective of the globalization process is development of international trade, uptodate and powerfull means of transport communications and new opportunities for speedy delivery of large amount of

goods and passengers led to accelerated development of economic and trade relations, and radical changes in the socio-political life of the society. Internet enables people to be immediately aware about the situation and trends in the world processes, and enjoy video and pictures through the satellite. And, youth has an opportunity to study in foreign universities through distance education system. Entrepreneurs, thanks to Internet connection, are able to have negotiations with their trade partners and sign contracts, track the movement of the goods under delivery through Internet and make settlements with their commercial partners through online banking.

The Global Digital Report 2018 outlined that in January 2018 the world's number of Internet users reached 4.021 billion people, which makes 53 percent of the world's population (7,6 billion people) [31./List of internet user countriesa].

Use of internet services accounted to 88.1 percent in North America, 62.4 percent in the Latin America, 80.2 percent in Europe, 69.6 in Australia, 49.7 percent in Asia and 31.2 percent in Africa. In early 2017, the number of internet users in Tajikistan made 2.6 million people or 30.3 percent of its population (8.572 million people).

According to Strategy& (PwC) universal access to internet across the globe will make it possible for 7 per-

cent of the globe's population (500 million people) to get out of poverty and to increase the global GDP (aproximatory USD 77 trillion) by USD 6.7 trillion. [34. Date of visit: 19.05.2016].

The greater use of internet services serve as a factor promoting less cost of transportation for delivery of mail, trade and political consultations and negotiations, signing agreements and other deals as well as ideological and cultural enrichment of peoples of the world.

Trade liberalization that is about minimizing or overcoming barriers to external trade, led to eradication of protectionism* and development of international trade. Reducing or abolishing the application of tariffs, invalidating or increasing export quotas, abolishing different exchange rates, simplifying requirements to obtain permit for importation and exportation of goods and services, exchange regime and other actions would promote increased effectiveness of the country's economy. The practice proofs that year after year tariff norms** and costs decrease and many existing barriers to international trade are being overcome. This, in turn, would increase investments overseas and develop other production factors.

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* Protectionism – public trade policy aimed at limiting importation of goods and services with a view to supporting domestic

producers, increasing jobs and achieving other socio-economic indicators.

** In 1947 the average rate of importation fees made 50-60 percent at the global level. Developed economic and trade cooperation made it possible to reduce them to 9.6 percent in 2006. This indicator is 5% in the EU, 4.2 percent in the U.S. and 2.7 percent in Japan. Low rate of importation fees would promote trade development and integration into international markets. Indeed, change of importation rates depends on the rate of these fees in trade and economic partner countries. [ru.m.wikipedia.org/*Либерализация*]

It is important to bear in mind that the trade liberalization in the unsustainable macroeconomic context can lead to weak competitiveness of the domestic producers against their foreign counterparts, unorganized domestic production and reduced jobs;

- Transnationalization of world economy. Currently a certain share of production, consumption, export and import, and revenues of state depends on decision and behavior of international centers located outside the country.

Thanks to globalization, transnational companies transformed into institutions defining the world economy's future development. For example, Toyota Motor Corporation with statutory capital of USD 152.2billion and turnover of USD 377.2billion is one of the world's

powerful companies. In 2017, it had 317.700 staff working in 27 countries. Companies with such an economic and financial capacity are capable of influencing the policy of any country. This group may include Daimler Motor Company, Microsoft, Apple, Siemens, Panasonic and hundreds of other companies, which with their huge profit and assets and hundreds of thousands of staff play a decisive role in the policy of various countries.

Almost 50 percent of the world's industrial production and more than 70 percent of the international trade falls on these companiés. The internal trade between the transnational companies makes 40 percent, in which they apply not the market price, but rather the prices determined by them. Monetary resources of the large transnational companies are greater than the budget of some countries. Some 52 of 100 largest economies of the world are transnational companies and the rest include states. Based on their huge financial resources, cooperation with community and political support, these companies have a big impact on regions. The transnational companies also significantly contribute to development of science and technology [31./Транснациональная_компания].

The key reasons of companies' transnatilization are: 1) the need for use of relatively cheap resources such as capital, labor force, raw material and intellectual power,

and 2) entering the markets of other countries is the core for competitiveness of their goods and services. The constant competition and the need to minimize the production cost of goods and services makes the companies link with each other and thereby minimize their cost of production and get access to markets of each other countries.

One of the important factors for sustainable operation in the globalization process is the company's core competency. The core competency means having advantage and distinguishing features of the company's goods and services compared to similar products of other companies. For example, Apple Ink applied new technology in manufacturing mobile phones, which ensured the advantage of this company's phones against Nokia, Samsung and other companies. The severe competition between companies and technological inferiority led to decreased share of Samsung in the market and getting Nokia out of the market.

The need to explore new markets to sell goods is another reason to reach international markets. When domestic markets get established fully with the identified position and share of domestic companies, it will be difficult to ensure high profitability and income. To enter the market of other countries, companies will have to cooperate with the companies operating in that particular coun-

try. As a result, the market context links them because only access to new markets makes it possible to increase production and profitability. Furthermore, connection (getting together) can reduce production cost and improve the companies' competitiveness in the markets. For example, supermarkets in the majority of countries sell Colgate, Palmolive, Sensodyne, Blend-a-med, Sensitive toothpastes. The majority of them are produces by the companies of Procter&Gamble, Unilever, Colgate and Palmolive, which compete with each other for niche and share in the markets. They have to explore new markets and adjust the quality of their products to the needs of local consumers in order not to lose their share in the global markets. In this pathway, great promotion and advertisement expenditures for integration of certain products into the markets of other countries is crucial.

It is important to note that in the new context of globalization ordinary competition cannot ensure any sector's development. It is important for the competition to be effective. For example, Coca-Cola Company, which launched its enterprise in Tajikistan in 2017, has been proactively increasing its share in the global and the Tajik market through advertisement and promotion of its product quality. In case of succeeding, it can drive other companies out of market and make a good income. In

such a context, other companies such as Royal Crown Company Inc. producing beverages under the brand of RC-Cola, Obi Zulol and Nuri Zulol in Tajikistan, will have to improve the quality of its products and services through different ways in order to maintain its share in the market;

- Transition to market economy and relations as a transnational process creates a level playing field for economic and trade cooperation for all countries.

In this process, the effectiveness of the national economies, which have chosen market relations, is subject to following actions:

1. Economy liberalization, which is a complex of activities on abolition or minimization of restrictions in issuing permits and lycenses, importation and exportation, borrowing, currency circulation, selection of goods and services to produce, reduce public control in all areas of economy, avoiding centralised distribution of material resources, pricing liberalization and other activities.

2. Economy demonopolization and creation of a competitive environment, which means ensuring a level playing field and opportunities for all actors, enabling them to enter the market of goods and services, investment and financial instruments, encouraging small and medium enterprises, reducing administrative barriers,

running an effective anti-monopoly policy, in case of necessity, splitting large companies by building on the experience of European countries, the U.S. and other countries.

3. Implementation of institutional changes through market infrastructure formulation (establishment of commercial banks, stock exchanges, investment funds, insurance system and so on), bringing the legislation in line with the requirements of the market economy and establishing new system of economic regulation by the state, which are the key principles to ensure effective economic development.

4. Introducing structural changes aimed at overcoming disproportionality in economy structure and its individual sectors. The objective from this action is to develop production of goods and services based on population's purchasing power both inside and outside the country.

5. Ensuring sustainable macroeconomic situation through continuous reforms, control of currency emission, inflation, minimizing budget deficit, ensuring positive rate of interest and achieving other indicators.

6. Establishing an appropriate social security system based on transition to market economy.

Achieving expected outcomes, indeed, depends on the quality of the public economic policy also;

- Political consolidation - an objective process, in which the important for all countries gain, is achieved with the minimum cost. Establishment of institutions such as the United Nations (UN), Shanghai Coopertion Organization, Commonwealth of Independent States and others facilitated cooperation in addressing political issues, preventing disputes in the world, collective support to the countries in difficult situation, fight against current unfavorable processes and other issues. For example, the Shanghai Cooperation Organization founders jointly fight against terrorism, extremism and other phenomena.

Another example of political consolidation is the establishment of the Europian Union with all member states enjoying equal rights, and benefiting from common advantages. Unified legislation, unified economic processes management system, joint protection of borders, and unified military policy leads to minimized public expenditures. Indeed, the countries partialy loose some elements of their independence in this process. For example, the EU member states have limited autonomy in pursuing monetary policy as they authorized the European Central Bank and European Commission (Council of Ministers) to run such a policy. Furthermore, the member states are obliged to agree their budget for next year with relevant EU institutions before adopting it. The

European Parliament also can issue decisions limiting independence of the EU member states.

- Cultural solidarity. Shift of mass media to a unified system enabled immediate broadcast of news and innovations in any country to everybody in the world. English became a universal language, and facilitated a strong cooperation and relationships between the people, companies and enterprises far from each other. These processes, whether or not we wish it, will influece the culture of the people in other countries. For example, impact of other cultures is visible in the case of Japanese people. Their culture developed based on the Chinese and Indian cultures, and was very much withdrawn after the World War II, was exposed by USA, and changed completely. From one hand, the Japanese people wellcomed the European civilization, from the other hand, they appreciate their own culture. They wear national dresses on holidays and mainly follow their own special traditions and customs, but follow western behavior in their day-to-day life.

This is also the case with Malasia, Indonesia and other countries, whose culture has been changing and becoming identical based on development of international relations.

Relations between the people, organizations and states have been strengthening and interdependence between them has been increasing disregard of their locations in the contemporary world. People stronger feel themselves as a part of a single world community and are in touch with thousands of people from various parts of the world simultaneously.

2.2. Advantages of globalization

Only taking into account the interests of different nations and countries with regard to advantages of universal trends, including globalization, can bring them together. Therefore, understanding these advanteges and taking them into account while running socio-economic policy is one of the primary tasks of goverments.

Globalization advantages include:

- *Globalization* of the economy and increasing *international competition.* Competition is a fight between producers, good suppliers, vendors of goods and services for domination in the market of any country. It forces producers to produce competitive and marketable goods, and thereby get access to domestic and international markets, and ensure profitable operations.

Competition as the means for increased economic effectiveness drives the following:

- Continuous exploration and application of innovations in production;
- Continuous improvement of machinery and technology;
- Encouragement for better quality of goods and services;
- Reduction of production cost;
- Reduction of goods prices by sellers;
- Shift to production of highly demanded goods;
- Introduction of new management methods.

Factors impacting the competitiveness of goods and services include: labor effectiveness, tax rate, degree of application of research and engineering achievements, enterprise profit margin, staff salary size (during their generation and delivery), and preparedness prior to issuance of goods and services for trade before their commercialization, price, quality, innovation and post marketing services (during marketing).

Internationally, there are different types of competition: competition between economic entities in one country, competition for material, financial and labor resources, competition for increased share in the market, competition between economic entities and transnational

companies, and competition between transnational companies;

- globalization is the driver of production effeciency. It promotes the relative reduction of prices and stronger sustainable development of the global economy, as production of goods and services in the area of location of raw materials, affortable labor force and other production factors is profitable.

Transnational companies move their production from advanced countries to backward countries with cheap labor force and other resources as well as intellectual capacity meeting requirements. It is not occasional that the companies incorporated in the U.S., European countries, and Japan manufactures the majority of their goods in China, Indonesia and Malaysia. For example, Apple Inc. manufactures its mobile phones in the People's Republic of China and the latter makes up to USD 6 from an IPhone, the price of which is up to USD 1500.

Disregard the severe measures applied by the President Trump of the U.S., it is impossible to return american enterprises, including Apple Inc. from the People's Rebuplic of China to the United States because:

1. "The average labor cost is about CNY 5000 (USD 725) per month in the enterprises in the japanese home

appliance enterprises based in China while the cost of this labor is up to CNY 16000 (USD 2320) in Japan and in the U.S.. Returning Apple Inc. would face difficulties and the sale of expensive IPhones would fail rapidly, because the price of IPhone 7 can increase from USD 969 to USD 2000. The production line return cannot be implemented at least in several coming years.

2. The number of graduates from technological and engineering higher education institutions in the U.S. decreased by 7000 in 2014. According to Tim Donald Cook, Apple's CEO, in case of returning to the U.S. it would need at least 8700 highly qualified specialists to supervise 200,000 assembly workers.

3. There is almost no relavant production line - Apple supplier of electronic spare parts and connectors in the U.S.. Returning the company to the U.S. would require huge investments. All of these are armored barriers to moving the production from China" [34, /iphone-ipod/3].

On the other hand, well-known Asian companies (Samsung, LG, Hynix, Qualcomm, Elpida and others) manufacture connection parts of these phones. Their transfer to the U.S. would be economically unviable.

Such features are specific to all transnational companies. Therefore, launch of the production of goods and

services even through application of the latest means of communication (Internet, sputniks) in backward countries is beneficial. The core of these actions is the cheap production factors, first and foremost, the labor force. For example, the monthly salary of home appliance assembly workers in China makes USD 402 (approximately CNY 2644) after 3 months of probation while in the USA any company should pay its employees no less than USD 7.25 per hour or USD 1276 per month (7,25 x 8 hours x 22 day).

Such a difference in the labor cost would make a big difference in the price of goods and services and would influence the production effectiveness, whether or not we wish it:

- Benefit of international trade for all market actors.

All countries differ from each other by climate, natural resources, access to labor force, intellectual power, and other production factors. In this regard, production cost for the same good differs from country to country. The benefit of the export of goods with available resources and factors for their production, and import of goods with limited capacity for their manufacturing within the country forces the countries to have trade relations with each other. For example, it is better for Tajikistan to import oil and gas from other countries than to produce them, because extraction of oil and gas resources availa-

ble in deep holes would increase its price. Another example, there are many fans of Indian and American movies in Tajikistan but their production in the latter would be costly. On the other hand, there is a great demand for apricot, primarily Tajik apricot in Russian Federation and Kazakhstan, but those countries have limited opportunity to grow it. This necessitates exportation and importation of goods between countries.

Countries can import goods from other countries, if they are exporters of goods themselves; otherwise, it is imposible to meet the import needs through loans and sale of assets only. Therefore, with the use of their internal resources, the countries introduce production and export of a certain group of goods and they become specialized for production of certain goods in this process. This action is extremely beneficial, as it is relatively cheap to produce goods in the countries with the necessary production factors in place. Specialization in its turn would minimize the cost and increase the volume or scale of the production and its effectiveness. Thus, the core of trade between countries or in other words international trade is a possibility to purchase cheap goods and services from each other.

The need for systemized intergovernmental trade relations led to establishment of global and regional trade

institutions such as the World Trade Organization (WTO), the United Nations Conference for Trade and Development (UNCTAD), Organization of the Petrolium Exporing Countries (OPEC), North American Free Trade Agreement (NAFTA) and others. Appropriate trade policy and taking into account all interests laid a foundation to adoption of affordable tariff norms, development and application of unified rules for international trade and dispute resolution between trade actors.

- Application of latest technologies drive increased labor productivity.

The latest technologies (mobile phones, computers, internet, satellite connection and others) have an important role in the globalization of economy. They became drivers of accelerated establishment of the global markets of capital, electronic trade development, creation of supply chain, which covered the entire world, as well as development of international trade and investment. Application of electronic and robotized technologies in the science-intensive industries ensures manufacturing of new products meeting the latest requirements. Their application in day-to-day life is also visible. For example, the application of robot vacuum cleaner makes it possible to clean house in absence of people in any house, and use

of toaster led to time efficiency in preparing breakfast and so on.

Invention and creation of innovative technologies requires significant funding and not every country has capacity for this type of funding. This is the reason almost 80 percent of latest technological inventions are funded by transnational companies. Their application in manufacturing is also greatly beneficial, because thanks to them goods are produced with the use of a small amount of industrial wastes, minimum time and electricity, and with a high quality. For example, application of digital design and modeling technologies has significantly reduced the production cost in automobile manufacturing industry.

Countries with huge financial resources such as the U.S. and the EU have special technology invention softwares of "Advanced Manufacturing Technologies (AMT)" and "Industrie 4.0" deployed for specific purposes. The American software's objective is to create highly productive jobs and facilitate the American economy competitiveness, while the European software is designed for implementation and invention of cyberphysics

systems[5]. The Russian Federation has also been conducting studies in these areas, particularly on invention of nuclear and space technologies.

Indeed, the eventual objective from the application of the latest technologies is to improve labor productivity, reduce production cost, ensure delivery of goods within the shortest timeframe and make extra income;

- Opportunity to reach the level of developed countries. Development of the global economy and the economy of individual countries in interaction with other countries, impact of innovative technologies on the development level, possible use of cheap labor force and capital, access to global financial markets, whether or not we wish it, would give an impetus to economic and social development of countries. Along eradication of barriers to trade, the developing countries gained a chance to compete with advanced countries in the global markets of goods and services. This is the reason the share of developing countries in the global markets have been increas-

[5] This is the system, in which the production and service processes, for example transmission and distribution of power, is connected to electronic software system, i.e. the electronic system regulates the power transmission and distribution. This system is used in manufacturing of cars, equipment, production of food, intelectual transport managment, supply of cities with power, smart houses and so on.

ing year after year. For example, 10 years ago everybody believed that the Chinese shoes were of poor quality, and therefore the latter did not have access to european markets. Lately, more than 100,000 jobs in shoes manufacturing were reduced in Europe, because the Chinese quality and price became competitive and it meets the demands of european consumers.

Another group of countries (South Korea, Singapore, Taiwan, Brazil, Mexico, Argentine, India, Pakistan and others) has been the global economic development agents during the recent 30 years. They have ensured highest rate of their economic growth during this period mainly through the application of innovative technologies and globalization advantages. Currently, more than 10 transnational companies operate in South Korea and Singapore alone.

Thus, developing countries have an opportunity to catch the advanced countries by making use of globalization advantages, applying latest technologies, production resources, intellectual power and running an adequate economic policy;

- Rapprochement betweent states, nations and cultures is the tool to overcome disputes between them. Strengthened interconnection and interdependence between countries in the globalization process due to the

need for solution to economic issues, the issues of trade development, counteraction to malignant phenomena such as terrorism, extremism, human trafficking and drugs smuggling, overcoming consequences of natural disasters, humanitarian aid to affected countries, exchange of information and other issues makes the countries and nations to get closer to each other, and create relevant institution and collectively address universal challenges. Cooperation within international and regional organizations, establishment of deplomatic relations, visiting one another's country, arranging conferences and workshops, signing friendship and strategic agreements, organizing days of culture presentation and other events promotes raprochement of states, nations and cultures. As a rule, the programs of cultural days include performance of songs in the language of the host countries. Through this way, people learn about one another's culture, establish friendship ties with their counterparts, and support each other in development of culture.

Cooperation with and establishment of international organizations as well as the international rights are the requirements of time. For example, the experience from recent years proves that it is impossible to fight terrorism within an individual country or a group of them. Only collective efforts by various countries enable everybody

to address challenges such as international terrorism, climate warming, regional armed conflicts, and proliferation of mass destruction weapon and other issues. The need for regulation of international disputes requires improving (economic, political, military and other) cooperation and adoption of unified norms compulsory for all countries to respect and follow. Cooperation within these institutions and development of multilateral and bilateral relations would promote rapprochement of states, nations and cultures, and eliminate the need for addressing issues through disputes.

- Globalization facilitates new and wider opportunities for people in selection of speciality, job and investment, and promotes improved welfare of people.

Thanks to the application of the innovative technologies (Internet, satellites, TV) people learn about the economic situation of other countries, available vacancies, occupational requirements, specialists and are able to get jobs in needy countries by participating in job competitions. Currently, Tajik citizens (for example physicians) work in other countries. People, disregard of their residence area, can also buy the shares of companies from stock exchanges and participate in their management. It is not important, in which country the company is incorporated or who is its owner, it brings equal income to all

of its shareholders. For example, the Volvo car manufacturing plant is located in Sweden while it is owned by an American company, or the Daimler British company is owned by Chinese. Individual entities are engaged in sale and purchase of currency and gold in the FOREX international exchange market and this is their job.

Thus, expanded opportunity to find jobs in other countries or international companies without leaving one's own country (distance service), operation in international markets, capital management and making relatively high income positively impacted on people's living standards.

2.3. Disadvantages of globalization

Overall, globaloization has many advantages and also disadavntages, and an adequate policy in revelant areas alone is not sufficient to overcome or reduce their impact on country's socio-economic development.

The globalization disadvantages are:

- not every country can benefit from globalization advantages equally with other countries.

The companies with a decisive role in the market and with a greater value added products* or services**, make a big profit. Furthermore, their wider capacity for

the use of cheap labor force through its arrival from other countries, access to cheap financial resources, findings of scientific studies and their timely application in production reduces the original cost of goods and services.*** The companies without such a capacity lose their competitiveness and get out the international markets becouse they have to operate with miserable profit. Such changes negatively impact the economy of selected countries and lead to continuous changes in the economy structure and increased unemployment;

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* For example, the price of Iphone X depending on its memory capacity reaches up to USD 1584 and its production cost up to USD 380. Thus, the company makes USD 1204 from an Iphone or has 317 percent of production profitability. This is the reason the market value of Apple Inc. amounted to USD 850 billion as of 5 September 2017. The company's net profit reached USD 45.7 billion in 2017. It is important to note that its market value is higher by USD 528 billion than its assets (USD 322 billion). Of this, USD 184 billion is the market value of the company's brand. The taxes payed by the company at the rate of 24.6 percent amounted to USD 15 billion in this year.

** The rate of legal services by a highly qualified defending attorney in London was more than USD 1500 per hour in 2016. In some cases, more than USD 100 million is paid for hearing of disputes between large-scale companies [35. /05/02/2016].

*** For example, in 2007, upon entrance of Apple Inc. with its mobile phones to the global market, the prominent mobile phone

manufacturing company of Nokia, which held 35 percent of the global market, lost its position year after year. Other mobile phone manufacturing companies also run into difficulties because the Apple Inc. had greater capacity for introduction of innovations.

- Economy deindustrialization* leads to loss of processing sectors' position in the market and reduction of jobs.

Accelerated development of science and technology and application of innovations in the industry led to replacement of human job with robots, automated management system and so on, and small number of programmers and computer network managers replaced a large number of highly qualified specialists performing certain activities. Therefore, industrial processing sectors have been declining while services sectors have been developing**. People have to learn new occupations meeting the time requrements and find new jobs.

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* economy deindustrialization – a trend of declining share of industry in the GDP and in the overall public employment.

** for example, upon the application of the wood processing innovative, technical and technological achievements, wood carving has lost its essence. Currently, an enterprise incorporated in 'Soughd' free economic zone performs woodcarving with the high quality based on the clients' orders with the use of software.

In the deindustrialization process, relatively primitive labor replaces the effort-intensive labor, simple operations replace complicated ones, the share of intellect in value added decreases and relatively simple manufacturing replaces the complicated manufacturing. As a result, certain areas of industrial operations go away and accordingly jobs reduce, which is for the loss of countries with high rate of demographic growth.

This process leads to reduced production cost of goods and services and increased income by companies in the advanced countries with low rate of demographic growth. For example, based on the high -level development of science and technology and application of its achievements in production, its share in the GDP would decrease while the share of services would increase. For example, in 2017, the share of industry and services was 15 and 78 percent respectively in the GDP of the United States. This indicator was 21 and 47 percent respectively in the Republic of Tajikistan. Such a trend is not dangerous for the United States, as it has a low rate of demographic growth, and in case of need for the labor force, the country can mobilize it from other countries. For Tajikistan, where the population growth by 200 000 people and up to 30 000 new permanent jobs are created annual-

ly, reduction of jobs not only in the industry, but also other sectors is dangerous.

- Tough competition increases the gap between the income (salary and other benefits) of qualified and general workers

Development of science, application of the latest technologies and strengthened competition make companies continuously seek for highly quilified specialists and they stand ready to pay high salary. In such a context, it is possible to ensure competitiveness of goods and services only through the application of innovative technologies and equipment, which requires high qualification of workers. Robotization of manufacturing and use of electronic systems in advanced countries has rapidly increased salary of programmers and IT specialists. Now, relatively small number of staff works for manufacturing of the same amount of goods and products previously manufactured with a greater number of staff. The previously highly qualified specialist does not meet the new requirements; they agree for smaller salary or leave the company. Thus, as a result of ongoingly increasing gap between the qualified and general stuff, the latter has been left out with no source of income. These actions make people to improve their professional skills, but initially it will lead to increased unemployment;

- Impact of globalization on global environment.

The development of economic cooperation between countries, eradication of barriers to trade, development of tourism, increased number of tourists, turnover of goods and services, monetary income of population, number of motorcars and aircrafts, new roads and locomotives and submarines as results of the globalization first and foremost has been leading to increased emission of hazardous substances (CO_2) into air and its pollution. CO_2 has a significant negative impacts on public health, nature and others cases. Furthermore, intensive use of natural resources, expanded manufacturing by transnational companies and deforestation for this purpose, pollution of ocean and seas, inefficient use of mineral resources and other actions overall cause damage to the earth and its inhabitants. This is the reason, during the resent decades the situation with the climate for habitat has relatively worsened and the number of natural disasters (earthquakes, typhoons, tsunamy, drought seasons, avalanche, landslide) volcanos' awakening, temperature increase, intensive melting of glaciers and other disasters affecting environment has increased.

- People gradually shift to the unified standarts of consumption and use of natural resources disregard their residence area.

Interconnection and interdependence of countries has been increasing and economic and trade relations have been expanding day after day. In this process, people-to-people relations and cooperation has also been increasing disregard their countries of residence and access to relatively cheap goods and services in line with standards are improving.

Raprochement of nations and states within a single global community and formulation of a universal space based on standards, norms, rules of behavior and universal values has become a tradition. Technical devices (computer, telephone, internet, satellite antenna, medical appliances and others), transport means (vehacles of "Toyota", "Daimler", "Mersedes-Benz", "Opel", "Wolksvagen", aircrafts of "Boeing", "Airbus"), household appliances (TV, microwave, refrigerator, iron, vacuum cleaner and coffee grinder), food products made by brand companies (Coca-cola, RC Cola, "Snickers" chocolate bars, fastfood companies of "Chicken", "McDonald's", "Fastfood") have become accessable to all earth inhabitants, integrated into their lives and their number is continually growing.

Integration of goods and products made by transtational companies or other countries in the daily life of people has edged out the local products, got the domestic

enterprises out of the marker, and led to decline of jobs, which is against the interests of developing and least developed countries;

- Cultural peculiarities of countries are ignored

Computerization, Internet and satellite connection linked the economy, science and culture of all peoples, countries and regions. The emerged situation of transparency in relations and free integration of information into daily life (disregard of borders) impacts the politics, culture, language, education, morality, relations between religions and dimensions and knowledge of people. Particularly, the young people's access to social networds, free and uncontrolled discussion of all issues would definitely affect their behavior, language and thinking.

Internet or World Wide Web as a new virtual reality has formulated as a factor of society development with its own rules and regulations. Nobody can oppose this objective process, because lagging behind this process would leave the nation and the state behind the world communities' development.

Transnational companies' affordable and accessible goods are used by people more disregard of their impact on the economy of countries and the culture of their people. Wearing repped jeans became a matter of pride for youth. Wide use of foreign musical instruments in the

Tajik arts of music, application of Gregorian calendar, summarization of activities and celebration of the New Year in line with this calendar, European style dresscode, continuously increasing number of Chinese, Turkish and European restaurants are other example of the aforementioned statement.

The influence of globalization and related changes is visible even in Arab countries with strict regime. For example, issuance of driver license to women in Saudi Arabia, use of satellite antennas and watching TV channels of other countries, free European dresscode, sale of alcohol and other activities in the United Arab Emirates, women's participation in public administration in Kuwait and other cases are the indicators of the European culture influence on the culture of Islamic countries.

Information globalization, which has gradually been making people homogeneous, is closely linked to culture. Multicentury national traditions are gradually becoming the property of ethnographic museums. Homonymous music, dress, film, art, food and lifestyle are recognised as a common culture and it has been oppressing other cultures;

- The number of countries excluded from the globalization process has increased and the gap between them and other countries in terms of the level of development

and integration into the global economy has been increasing.

Sadly, the practice shows that in the globalization process, the economic situation of a number of developing and least-developed countries relatively worsened and they will have greater dependence on advanced countries. Due to the need for continuation of economic reforms the size of foreign debts, which the developing and least-developed countries borrowed and continue borrowing mainly from. international financial institutions like the IMF, World Bank, European, Asian and Islamic banks as well as directly from other countries has been ever increasing. Though the welfare of people in these countries has been gradually improving, however, it remains very low compared to this indicator in the developed countries. In this regard, forced migration, particularly by intelligentsia and specialists from this group of countries has been increasing and it is becoming more difficult to ensure economic growth and address social issues. The experience of recent years showed that this process primarily makes a negative impact on the country's healthcare. Doctors leave their countries of residence due to high demand for healthcare specialists in other countries, and this, in turn, worsens the situation in the sector and increases diseases, particularly infectious ones.

Worsened political and economic situation can negatively affect the formulation of budget and its capacity for financing of education and other sectors that may lead to unrest in the country.

Based on the UN data, currently in 149 of 197 countries the living standarts do not meet the requirements. The Oxfan Inernational's Report claims that 82 percent of money generated in 2017 went to the richest one percent of the global population while the assets of 50 percent of the global population has seen no increase. [38. /en/countries/Tajikistan]. This is the reason, the UN programs such as Millenium Development Goals, Sustainable Development Goals and other initiatives are specifically aimed at addressing this issues.

Therefore, it is important for the international organizations to consider the possibility of undertaking practical actions toward deducting or fully writing off the debts of developing and least-developed countries, ensuring fair distribution of the profit by transnational companies for the benefit of these countries and providing them with latest technologies as well as financial and intellectual support.

Despite its disadvantages, globalization is an objective process and it influencies the global economy and life in all countries, including Tajikistan. It covers the entire

world, because its core is competition. The competition makes people, companies and states to unite in order not to be left behind the market. Abolition of trade borders leads to arrangement of manufacturing in the countries with row materials and production factors in place because low production cost of products and goods is the main principle of competition.

CHAPTER 3
TAJIKISTAN AND GLOBALIZATION

3.1. Tajiks and globalization

As it was outlined above, globalization goes back to periods of Central Asia's invasion by Alexander the Greate (329-327 BCE) and colonialism. Since the previous Tajik states were a part of the world community, this process affected them as well. It is possible to find its first signs in central cities within the state of Tajiks. Based on the society development level, initially the globalization occured through introduction in peoples' life of home appliances meeting the demand of the people from other countries and later through instruments for establishment of goods and products manufacturing. Establishment of coin (dirams) minting enterprises and application of money in Bukhara, production of paper of Chinese invention in Samarkand (632-634 CE)[6], development of Chinese

[6] Davlatzoda D. Muslims: the real history of progress and regress – Dushanbe: "R-Graf", 2017, p. 310

painting, import of home appliances thanks to the passage of Silk Road through the country's territory, formulation of the Islamic world and adoption of Islam* and development of relations between the Muslim-residing countries, and other events** changed peoples' lifestyle.

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* Compliance with Islamic rules changed the lifestyle and behavior of people.

** "*Shakhname*" of Abdulqosim Firdavsi refers to the use of Chinese shields, which means the integration of Chinese goods into country's space at that time in the 9th -10th centuries.

Shumo yaksara teghho barkashed, (Draw your swards together)
Siparhoi chinee ba sar darkashed. (Lift your Chinese shields)

Indeed, globalization was not a unilateral process. The Tajiks, from the very beginning, particularly in the so called period of Central Asia's Golden Age (between 750-1050) had advanced science and culture. Other nations widely applied the inventions and innovations achieved in this region. Several years prior to the Islamic period, the Central Asians (mainly Tajiks - author's note) created Kamonak (cello bow) as the means for creating sound from string; thanks for this creation, which was rapidly spread out to China, India and the West, Central Asia can be claimed to be the original homeland of violin.) " [29,

c.63]. Currently, violin is of main instruments in the music arts of West and other countries.

Abuali ibni Sino (Avicena)'s findings on the environmental impact on human health, drug manufacturing, preventive medicine and principles of disease treatment are still applied as the fundamentals of universal medicine. Tractates by Muhammad ibni Zakariyoi Rozi and other scholars on the medicine's theory and practice, analysis of the medical impact of plants on causative agents significantly contributed to the development of the medical science globally. The architecture and the colors applied in the buildings in Samarkand and Bukhara reached Europe (Walls of Dodge's Palace, Venice). The iron processing and melting technology is the property of Central Asian people, which is applied around the world now.

"Other Central Asian people introduced to China other technical achievements such as mekhpech (screw), pump for liquid substanses and crankchaft "[15, c. 243]. "Other not so visiable appliances, which used to be exported from Central Asia to China in large amounts, include barbad (musical instrument nay), chang (stringed instruments with bow) and even Central Asian dance, all of which got rooted deeply there and transferred into the main partern of the Chinees culture" [39, c. 41-42]. Nordic

Vikings in the 9th-10th centuries used fabrics made of silk, which "according to Swedish scholars was produced in Central Asia" [40, c.24].

Many innovations of this kind created by Tajiks integrated into the lives of people across the world.

Sadly, from the 12th to early 20th centuries, the science and invention regressed in Central Asia and now the Tajiks' share in development of the science and global economy is miserable.

3.2. Availing advantages of globalization

Tajikistan and its residents felt the highest speed of the globalization process during annexation to Tcarist Russia and Soviet Union. Establishment of modern schools, mastering mathematics, physics, chemistry, biology and other sciences, which were specific to the religious school of that time, led to improved literacy of people. Arrival of other nationalities in Tajikistan with their own language, particularly Russian and learning them together with English, German, French and other languages opened the gates for people to the Soviet Union and other countries. Launch of research institutes and universities, and science centers particularly in the fields of medicine and space facilitated improved knowledge of

people and their attitude towards life, increased number of scholars and researchers and their contribution to the development of the world community.

Establishment of railways, arrival of motorcars, trains and aircrafts, power generation technologies, public social welfare system, changes in culture (opera, movies, theatre, painting, musical instruments), healthcare (medical equipment, medical points, hospitals, treatment system), food (potato, tomato, sausages, borsch, European style of bread baking, drinks), cooking (use of Russian stove and Uzbek or Turkmen gas, German heater and Kyrgyz coal), transition to Europian dresscode (particularly men's attire) and other cases brought complete changes in people's life.

The Soviet Union's egoistic policy during the last years of its existence suspended the process of globalization in Tajikistan. The advanced western world did not have an opportunity to enter the USSR space with its inovations (computers, mobile phone, movies, and other products). Furthermore, use of Tajikistan Social Societ Republic as a raw material supplier prevented the development of industry and manufacturing of other products with value added.

After Tajikistan attained independence, the process of globalization developed with a high speed in the coun-

try, while it was difficult for it to integrate into the global economic system. There was a need to change the economy structure, inmprove its effectiveness, train professionals, and reform other aspects of public administration. On top of this, Tajikistan is a landlocked country and so are its naghbours, which increases the cost of local products and grades down their competitiveness and marketability. While the transport expenditures in the cost of goods account to between 4-7.2 percent in the countries with access to sea, sadly this indicator is equal to 60 percent in Central Asian countries.

Accession of Tajikistan to the United Nations, Organization for Islamic Cooperation, Commonwealth of Independent States, Organization for Security and Cooperation in Europe, Shanghai Cooperation Organization and other institutions, and undertaking certain commitments linked the country to the international political system. Indeed, alongside undertaking commitments any member state of these organizations, including Tajikistan, transfer some of their authorities to them.

One of the needs for linking the independent Tajikistan to globalization process was to ensure its engagement in the world community's joint afforts to reduce and overcome universal threats such as terrorism, extremism, illicit drug trafficking, transnational crime, nat-

ural and manmade disasters and other unpleasant acts. Within the Shanghai Cooperation Organization, Collective Security Treaty Organization, and INTERPOL, Tajikistan fights against the aforementioned processes jointly with other member states of these institutions.

Linkage to the world community also enabled Tajikistan to benefit from the international best practices on governance. Presidential system of governance and parliamentarism in the country, elections process procedures, public participation in elections, multiparty system, civil society, mechanism of the adoption of Constitution and legislation, and establishment of governance system and structure, as well as other actions are the proof to this linkage.

The presidential system is beneficial for Tajikistan in the context of slow development of governance institutions, as it enables the government and state to be managed by a skilled and experienced person and the society to be protected from unfavorable processes.

Application of bicameral parliamentary system (Majlisi Milli (Upper House and Majlisi Namaoyandagon (Lower House)) is also reasonable for formulation of a modern legislation and avoiding deviations in this area. Direct election of president and parliament members, appointment of the government by the president and the

parliament is one of the ways for public's participation in the public administration. In this process, respect of citizens' rights and their participation in public administration is one of the key principles in the establishment of a law-based, democratic and secular state. This is the reason Tajikistan is acknowledged as an independent, active, initiator, and respected member of the world community.

Economic globalization of Tajikistan during its independence started following its accession to the International Monetary Fund, World Bank, Islamic Development Bank, European Bank for Reconstruction and Development, Asian Development Bank and other international financial institutions.

Cooperation with the International Monetary Fund made it possible to run monetary and fiscal policy based on the Government's financial program. Now, the control of money supply in circulation, inflation rate and achievement of other macroeconomic indicators is ensured with the use of procedures adopted in other member states of this Fund. Alongside mobilization of loans and grants from international financial institutions, Tajikistan introduced the international system for public investment projects implementation and management, supervision of works and services performance, and funding and reporting.

Multiple signs of globalization can be seen in the economy, including: operation in Forex market with financial institutions from all countries, including Tajikistan, performing purchase and sale transactions; and operation of international payment systems such as Western Union, VISA, MasterCard, Cirrus, PayPal, Unistream, Zolotaya Korona (Golden Crown) and other systems in our country used by people for transfer of money to and from Tajikistan.

The procedures of corporate governance in banks, companies and enterprises, international financial reporting system, audit, taxation, statistics, budget formulation, and control of budget resources are also the property of other countries, which integrated into the management or administrative system of the Tajik institutions.

In line with the international banking principles, though the Government owns the Central Bank, it does not have the right to interfere with the bank activities. The Central Bank is independent in its activities and runs its operation based on the protection of the overall national interests.

Opening of the domestic market to global actors and the opportunity for mobilization of capital and loans from external sources led to development of economic sectors. Not only had the banks operating in Tajikistan,

but also enterprises and organization gained an opportunity to mobilize loans from foreign banks. For example, Dushanbe Dairy Company borrowed a loan from Hungarian EXIM Bank in 2006-2011 for procurement of equipment to develop its production and paid it back within the term of the loan agreement. Somon Air Company purchased BOEING aircrafts in 2016 with the use of loan from the US EXIM Bank and launched its activities.

Resumption of trade and economic relations between Tajikistan and Uzbekistan in 2018 led to immediate importation uzbek motorcars, buses, as well as equipment and goods to the tajik markets. In turn, goods produced by tajik companies like cement, building painting, furniture and other items got access to the uzbek markets.

Globalization is the process based on market relations, not the intergovernmental one. To mobilize (both domestic and foreign) capital and apply advanced technology for manufacturing of competitive and marketable products, the state needs to comply with the requirements of economic laws, balance between the budget revenues and expenditures, ensure appropriate environment for inflow of capital, trade relations, sustainable currency exchange rate and a systemized economic development. The Government's economic policy fully covers this demand. Establishment of the Consultative Council on Im-

provement of Investment Climate under the President of the Republic of Tajikistan in 2007, and its further operation with a proactive engagement of local and foreign businesses and development partners, ensuring favorable investment climate, overcoming barriers to mobilization of domestic and foreign investment to Tajikistan, and improvement of economy's effectiveness are examples of this process.

Use of universally accepted system for convening meetings of entrepreneurs, symposia of domestic and foreign businesses, intergovernmental economic committies, business association of different profiles, mechanisms for addressing sectorial challenges are also widely deployed in Tajikistan. Annualy, the meetings between the President and entrepreneurs, collective meetings of local and foreign businesses within the visits of the heads of other states to Tajikistan and the Tajik Leader's visits to other countries facilitate the development of economic and trade relations.

There are many examples of the economic globalization in selected areas. Tajikistan widely applies Chinese machinery and technology for cultivation and production of crops, and creation of intensive orchards like in European countries, Israeli drip irrigation technologies, German system for livestock husbandry, Belorussian, Rus-

sian and European technologies (for processing and production of fruit products in the agriculture); Italian equipment and technology in processing of cotton fiber and manufacturing of fabrics, Chinese machinery and technology for extraction of coal and minerals, American technology for production of beverages, Finnish and Italian equipment for cable production, Chinese, Russian, Ukrainian and German equipment and technology for rennovation and construction of power plants and power transmission lines; use of Chinese, German, Russian and Japanese machinery and technology for construction of roads, tunnels, facilities, residential and social buildings; Hungarian and Turkish buses, and Kazakh and Korean cars for taxy services and personal use in the services sector, and other innovations.

Thus, both political and economic globalization signs are visible and the entire world community, including residents of Tajikistan apply them in their full capacity. However, experts and scholars are more concerned with the cultural globalization, because it can lead to change of lifestyle, traditions and customs, national values, language and other aspects.

3.3. Globalization and national culture

Culture in its broad meaning covers all aspects of people's activity and life - production, processing, upbringing, education and belief. To this point, we discussed the globalization of the political and economic culture (establishment of the system of authorities, governance, agriculture, production, development of industry, services, management and others) in our country.

Some scholars describe the culture as the means for meeting leisure or moral demands of people only and overall call it moral culture. Globalization impact on moral culture is mostly visible in the form of intellect, ethics, upbringing, awareness, rights, science, literature and fundamentals of people's daily life (residence, home appliances, attire, language, ceremonies, traditions and customs, rituals and so on).

Intellect or reason - set of processes, procedures and ways of gaining knowledge on the phenomena and laws of the earth and their adequate assessment, which is essential for every individual and the society overall. Before Central Asia's annexation to the Soviet Union, the schools, which there were a few only, mainly taught the religious subjects and it accordingly used to influence the knowledge and thinking of a small number of people in

the society only. The existing schools could not cover the majority of people, who therefore were illiterate. Tajikistan started establishing modern schools, adopting school management system, introducing mandatory education for teenagers in secondary schools, and people, particularly the young generation started learning subjects after annexation to the Tsarist Russia and later to the Soviet Union only. Respectively, people's skills of adequate understanding of the essence of actions, processes, their assessment and their participation in public administration improved. Stability and establishment of a favorable environment in the society and the state particularly depends on the level of wisdom and adequate understanding of the situation, processes and events going on in the society.

Ethics as an aggregate of people's behavior norms (not offending others, being natural, maintaining dignity, comply with the rules of treatment, tone of speech, sinserity, benevolence, ethics of greeting, communication, dresscode and so on) that are in line with the general requirements of society, is a fundamental pillar for the society's stability and development. It is also reasonable to include conscience, sympathy, self-sacrifice, readiness to support others into this group of norms. Since the early globalization, due to cooperation of Tajik people with

other nations, their trade and trips to other countries, and study of their lifestyle, the influence of other people's ethical norms on the Tajiks' norms increased. The period of Tajikistan's membership to the Soviet Union has had a specific influence on the ethics of our people. It led to slight changes in speaking (use of Russian words in verbal language and literature), behavior, communication and dresscode. Tajiks partialy adopted the European style of communication and dresscode and therefore they differ from other countries in the vicinity and neighbours (Afghans, Pakistanis).

Indeed, the author's goal is not to discuss all norms of ethics but to use some examples to prove the impact of globalization on the national norms of ethics. For example one of the norms of behavior is greeting, which was of a particular importance in the previous centuries and everybody used to comply with its rules and greet each other, because heartfelt greetings eliminate antogonism, hate, jealousy, fear and other bad human features. It is illustration of good human features such as truthfulness, devotion, mercifulness, hospitability, kindness, faithfulness, communicability, empathy and friendliness.[7] The

[7] Rahmonov A. The ethics of greeting (teaching and ethics guideline) - Dushanbe: DMT, 2011- 33p.

greeting manner changed in the country based on the impact of other cultures on the Tajik culture in the globalization process, and not all of its patterns are followed. Now people greet only the people they know personally. A part of youth apply the way of greeting used by other nations such as knocking, raising up hands, saying hi, ciao and so on.

Internet and access to it has particularly widened the outlook of young people. Increasing number of marriages with foreigners taking place mainly through acquaintance through Internet is another sign of the change of ethics behavior. In addition, in parties and gatherings, one can see how young people under the influence of outside cultures do not respect the principles of tolerance and respect of others, listening to arguments of other people and rules of communication. All of these actions show the influence of globalization that reached the conscious of youth through Internet and other means of communications.

Upbringing as a factor of personality formulation is a targeted and organized process of improving the level of ethics behavior and actions, knowledge, outlook, skills and abilities of the trainee and preparing him/her for future activities in society. Indeed, upbringing and achievements of its goals depends on the level of know-

ledge of parents, teachers and community. In the past, children used to be raised and educated within their families (except a part of aristocrats' children). Along the integration of the previous Tajik State and Tajikistan into the process of globalization, the system of education and upbringing also changed.

Application of the system of education beyond family, interpersonal relations between children with different characters in pre-school facilities and schools, acknowledgment of international child rights conventions and treaties and their enforcement impact on the system of upbringing and its outcomes in our country. For example, accession of Tajikistan to the Convention of the Rights of the Child slightly changed the system of Tajik upbringing by expanding the rights of the child and obliging the parents to comply with it. Since it is a UN Convention, it covers universal norms. According to it "States parties shall respect the right of the child, the freedom of thought, conscious and religion"[8], which means their freedom to selection of religion and this is against the mindset of Tajikistan's people.

[8] The UN Convention on the Rights of the Child of 1989. https://www.ohchr.org/en/professionalinterest/pages/crc.aspx

Since this category includes the teenagers under the age of 18, it is difficult to manage them. The impact of Internet and social networks on children can lead to their involvement into unfavorable processes. According to Article 16 of the convention (no child shall be subjected to arbitrary or unlawful interference with his or her privacy, family, home, or correspondence nor to unlawful attacks on his ot her honor and reputation). Thus, the parents do not have the right to interfere with the private life of their child and the child can choose the wrong pathway by availing this right.

On one hand, we benefit from the advanced global system in the process of upbringing, and prepare our children to run an independent life in the advanced communities, where it is compulsory to have computer skills, knowledge of foreign languages, internet, and other information skills, on the other hand, we have limited power due to the need for compliance with the requirements of the Convention on the Rights of the Child ratified by our country. The intrusion of negative processes on the conscious of children, formulation of their mindset about the virtual world, negative impact of unfavorable processes contradicting the Tajik culture undermines the young people's level of education.

The young teenagers' attendance of the schools with Russian, English and other languages medium, whether or not we wish it, influences on their mindset, because the schoolchildren in these schools grow by learning the culture, history and literature of a relevant country.

Thanks to globalization, students study the same subjects (mathematics, physics, chemistry, biology and others) in the majority (more than 96 percent) of secondary schools. Occupations are also almost identical.

Erudition is an important factor for society development, is the level of person's knowledge, skills and his or her ability to apply them in his or her professional activities and life. Knowledge means knowing systemized (not disrupted) disciplines important for professional and personal life. Although upbringing and erudition are intertwinned, they can also be apart enough.

A person may be wellmannered but uneducated and vice versa. Any person keen to be educated needs to make efforts to learn and understand the environment and working in it, have a broad perspective on life processes, have vocational or professional education.

The quality of education and upbringing is keys to improved erudition of people. We already observed globalization of the education system through computerization and informatization of schools, unification of educa-

tion system (transition to 12 year education, paper based exams, credit system of education and so on), opportunity for school and university students to study in foreign countries and so on in our daily life. And establishment of foreign universities in our country not only facilitates introduction of the best practices in education, but also integration of the culture of other nations through foreign professors, students, university staff, application of foreign practices in the education theory and practice, teaching materials on the world history and so on.

For example, introduction of mandatory medical genetic test to identify genes of bride and groom and other diseases can serve as an example of improved education due to the influence of globalization. These tests are becoming popular throughout the world due to increased cases of diseases and the possibility of their preliminary identification,

The right is an integral part of the national culture and its improvement is subject to cultural progress. The need for cooperation with other countries, integration into the global economic and political system, and addressing disputable issues makes the officials bring their country's legal system in line with existing requirements. Globalization has affected this pattern of the national culture since its beginning as well. While in the early periods of

the Tajik governance the traditional legal system (before the first millennium CE) and the Zoroastrian legal system (until the 18th c.e.) were applied, later after adoption of Islam, the Islamic law played a decisive role in the public administration. Invansion of Central Asia by the Tsarist Russia in the second half of the 19th century led to transition to the relatively advanced Romano-Germanic legal system[9].

Attaining independence, change of economic system, i.e. transition from the targeted economy to the market one, the private sector development, ackowledgement of property diversity, ideological and political pluralism has influenced the country's legal system to a certain extent, however, they did not change it fully, because the core provisions of the existing law were in line with the everyday social requirements. Based on societal development and the need for legal system improvement, now it builds on the Common Law on some issues[10]. Indeed, the process of lawmaking and their enforcement takes into account the national peculiarities and changes in the

[9] Safarov B.A., Sadioda J. Comparative Law, Dushanbe: Bahmanrud 2015. pp. 104-109.

[10] Kholiqov A.Gh., The History of the States and the Law of Tajikistan – Dushanbe: R- Graf, 2012- p.323

societal development, however, overall, they are specific to European countries.

Science is one of the most important patterns of the society, culture and its development is the main factor for upgrading all aspects of human activities and formulation of people's outlook. By building on the scientific achievements, the future of the society development is identified, based on which relevant programs are drafted and day-to-day challenges are addressed.

The level of application of scientific achievments in the manufacturing in everyday life, level of population's knowledge and erudition, and its positive impact on welfare, outlook and understanding of processes by the people of the country, national language and wealth for development of science, particularly in new areas such as contemporary medicine, bio-engineering, biotechnology, nanotechnology, information and digital technology, electronics, and other sciences, and application of the achievments of these sectors in practice are main factors for the society development and education.

The science by its own is an international phenomenon and its progress depends on cooperation between scholars of different nations and countries. Thanks to globalization and participation of countries, including Tajikistan in scientific studies, the necessary foundaion for

development of science in different sectors in Tajikistan is ensured. For example, with a view to developing chemistry, the Tajik scholars use the laboratories and agents imported from Russia and other countries. In astronomy or space science, observatories constructed with the support of scholars from other countries are used. There are many examples of this kind to outline.

3.4. Globalization's impact on traditional art

The art is a special form of reflection and formulation of the reality by people in the process of artistic creation based on certain aesthetic endeavors. [31, /Искусства]. It is the product of creative thinking outlook and education with more than 400[11] types of manifestation: painting, pictural art, graphics, decorative and fine arts (embroidery, pottery, knitwork, carving, gobelin, glasswork) architecture, sculpture, belles-littres (epos, lyrics, drama) music, dance, singing, photography, cinema, theater, circus, ballet, computer graphics, digital live arts, body art, spray art, tatoo, net art, and so on. Each of this type of arts has many forms in turn.

[11] http://worlds-culture.ru/index.php?action=full&id=259

As it was mentioned in the other sections above, according to historic sources the painting art has come to our country from China. It is not occasional that the ancient paintings found out in the territory of our country illustrated people with Chinese narrow eyes. This type of arts started declining in early 8th century due to the Sharia rules and requirements.

During the initial years of Tajikistan's annexation by the Soviet Union, a big group of Soviet painters from Russian Federation, mainly from Saints-Petersburg came to Tajikistan and drew paintings both for the cultural centres in the capital city and other districts and institutions, and they also contributed to the development of the Tajik fine arts through mentoring local painters.

Graphics also has an ancient history and it is used in the works of writers and poets from the previous centuries. The decorative and fine arts has been a developed pattern of the Tajik people's culture since the ancient times. Thanks to the globalization and use of uptodate means, the embroidery, pottery, needlework, carpet weaving, glasswork and woodcarving have been developing during the resent years. Indeed, the social development and introduction of uptodate means positively impact on the development of this type of the art. The possibility of applying 3D software in manufacturing led

to performance of some wood carving works by bench, which promotes increased labor productivity and lower production cost. On the other hand, it is sad that application of these innovations reduces the number of jobs.

Architecture is the most ancient art. Samples of architecture found in the land of Tajiks go back to the 10th and 5th millennia BCE[12]. These historical heritages are found out in Ghori Shakhta (Badakhshon Province), cemeteries of Kuli Bulyon (Danghara District), Sarazm (Panjakent Town), Takhti Sangin (Jayhun District), Hulbuk Fortress (Vose District) and many other sites of the country. Though, thanks to globalization architecture has expanded from Iran, Bobuliston and Egypt to Central Asia, it has significantly developed in this region, the sample of which can be seen in the cities of Bukhoro, Samarkand, Istaravshan and Khujand. Based on development of the uptodate machinery and technology, the Tajik architecture has been combined with the European architecture. Currently, the majority of buildings are constructed in European style with national features.

Another type of art is sculpture, the mission of which is to reflect people, animals, birds, and different

[12] Mukimov R., S. Mamajanova. The Encyclopedia of Sites - Dushanbe: Irfon, 1981- p. 134

tools. Archeological findings in the ancient Panjakent Town prove the development of this arts in ancient times. Its samples can be seen in city avenues, villages and houses of people. Particularly, monuments of politicians, scholars, and poets such as Ismoili Somoni, Abuali ibni Sino, Abuabdulloi Rudaki, Sadriddin Ayni and other celebrities decorate cities and districts and they are the matter of pride for everybody.

Globalization made a vast impact on the Tajik music as well. The musical ensembles widely use some of European instruments (Accordion, piano, horizontal piano, flute, guitar, pianoforte, clarinet, drum, violin, arpa, clavecin, tympany and others), the total number of which reached more than 1000. For the first time, in 1929 writing musical compositions and their performance in Europian style, i.e. based on notes started. Alongside pure (classica and national) music, its modern types (pop, rock, rap, jazz, bend shell and others) are integrating into the circle of Tajik musical melodies. Furthermore, national or mixed melodies are arranged with the use of innovative equipment and technologies.

The globalization's impact on the other types of arts such as singing and dancing is also huge. In Tajikistan, on top of national styles of singing (folklore, shashmaqom, falak, mavrigi, and etc.) singers also widely perform in

the style of gurughli, rock, rap, opera, and other types and they have their own fans. Along the Tajik dance, also Arabic, European, tango, and other dances have also integrated into the national culture. The residents of Tajikistan listen to and imitate the Iranian, Afghan, Turkish and Indian music and songs with a great enthusiasm.

Photography, cinema, theatre, circus, and ballet are the types of arts, which were not specific fo Tajiks, but during the globalization process they integrated into the Tajik culture and have been developing with a high speed. During the recent years, based on development of electronic means, new types of global arts (computer graphics, digital fine arts, body art, spray art, tattoo, net art) have been integrating into the Tajik culture.

Watching in TV sets made in Korea the performance of the actors of Russian, Afghan and other nationalities in the Tajik movies filmed with the use of German camera in Japanese films is a vivid example of globalization. The globalization brings together representatives, equipment, technology and achievements of multiple countries in order to achieve the expected outcome.

Currently, Hollywood (USA) produces more than 70 percent of the world movies, therefore, residents of Tajikistan know the American actors better compared to the Tajik actors. Arnold Schwarzenegger, Angelina Jolie, Al

Pacino, Silvester Stallone, Monica Bellucci, Tom Cruise, Ashton Kutcher and hundreds of other actors are quite populare among the Tajik spectators. There were times when you would be considered to be an old foggy if you would say that you have not watched Titanic or if you have no idea about it. The youth, even the children of school age are fans of globally popular football players and they follow them and imitate them in dressing and haircuts.

Reputation, wealth, opportunities, and other advantages of singers in the advanced world encourages the youth to follow them. For example, 12 of 15 richest singers in the world, each of whom have from USD 250 million to USD 1.1 billion of capital, are Americans and other three are from Canada, Ireland and UK. The total capital of these 15 singers amounts to USD 7.26 billion, which is equal to Tajikistan's GDP in 2017. [34, /articles/96907. 29.01.2018]*.*

A new type of art, which was specific to European and now is entering our country, is the body art. A part of Tajik youth already tattoo progne, flowers or other images on their necks, hands, breast, ankle, palms, cheek and other parts of body.

The fine literature is a type of arts, in which speech and word linkage in language is used as the only

means.[31, /Литература]. Globalization impacted this art significatly. After the October Revolution and the Russian impact on the Tajik national culture, wider application of the types of fine art such as epos, lyrics and drama started. Until that time, mainly theTajik fine literature existed in the form of poetry. Sadly, the narrative proze literature was not that popular in the Tajik resided countries.

Different types of arts have different history. Some of them have disappeared and revived over the time due to governance regimes. For example, sculpture widely developed in Tajik-resided countries during the Buddhism and Zoroastrism, while upon conversion to Islam, it was proclaimed to be against Islam and its symbols were destroyed. Transition to a new governance regime at the late 19th century let to reviveal of this type of arts.

While in the past the Sharia law banned painting in the form of photography and portrays, now it became a part of Muslims' live and people take a lot of pictures every day with the use of their mobile phones. One can see the pictures of politicians and artists left and right in the streets, and this trend became popular. Even in the countries with the Islamic governance regime (Saudi Arabia, United Arab Emirates, Islamic Republic of Iran and others) the pictures of the heads of state and spiritual leaders are hung.

3.5. Globalization and Public Daily Life

The moral culture also includes life formulation style, residence, home appliances, attire, language, public traditions and customs, and rituals. The globalization has a vast impact on this aspect of culture as well.

The public constantly improves its lifestyle and living environment. Currently, people construct comfortable houses with modern design not only in urban, but also in rural areas. In this process, with a view to ensuring conducive environment, they make use of construction technology achievements, and purchase necessary appliances produced in other countries. Electric stove and kettle, irons and sowing machines, air conditioners and refrigerators, vacuum cleaners and other appliances can be seen in every household. They are made in other countries and entered the life of people in Tajikistan thanks to the globalization.

Men in Tajikistan have a fully europian dresscode while women wear dresses of foreign production partially. It is important to outline that more than 90 percent of fabrics are also produced in other countries.

Globalization influenced the Tajik language as well. It derived many words from other languages and this process is ongoing. The nation's language continuously

improves based on the society's development and cooperation with other nations. This is the reason the Tajik language has many arab words due to the influence of the arab culture on the tajik language before the 20th century. Tajikistan's annexation to the Soviet Union led to integration of new words like constitution, president, parliament, democracy, prosecutor's office, court, bank and thousands of other words into the Tajik language. Constant enrichment of language through foreign languages is the main criterion of its ability to ensure the nation's progress.

There are many examples we can highlight with regard to the globalization's impact on customs and traditions. Marriage brokerage, wedding party, presenting gifts to bride and groom, domodtalbon (a party organized by the bride's parents after the wedding ceremony to welcome their fresh son-in-law to their family), arusbinon (a party after the wedding for the groom's siblings to get acquainted with and welcome the bride to their family) gahvorabandon (ceremony of fastening newborn to cradle), chillagurezon (a party organized by parents of newborn's mother to celebrate first 40 days), muysargiron (a party to celebrate the first haircut of newborn) have been celebrated since ancient times. Along them, engagement party, maslihatoshi (consultation between rela-

tives on wedding arragement issues), idonabari (delivery of some food and present for the bride by the groom's parents), sanduqbaron (delivery of a strong box with dresses and other items of the bride to her future residence), sarupobinon (siblings of bride and groom come together to see the brides trousseau), choygashtak (gatherings), raistalbon (hosting a relative newly appointed to a senior position to congratulate him/her), qudotalbon (bride's parents invite the groom's parents to welcome them to their house) and presenting dress gifts by groom's parents to the guests they invited themselves and relatives of bride are among the traditions, which are legally banned due to the lack of need for them.

Birthday party, silver and golden wedding anniversary, honeymoon, the exchange of wedding ring between bride and groom, and memorial day were not specific to Tajiks, however, they integrated into the Tajik culture over the time and became a part of its traditions.

Globalization has an impact on the culture of cooking, meal, and food varieties. For example, due to the lack of time for meal, some people use multicooker for cooking food with the use of semifinished products. The European cooking culture is gradually integrating into the national culture. Now, people widely use dishes of other nations alongside the national foods. Turkish, Chinese,

Afghan, Ukrainian cuisine, restaurants with Chinese steamed dumplings and Afghan pilaf, Georgian lavash (thin bread) and American steaks, Arabic dance and western music became a part of the culture of people in Tajikistan.

Foreign families live in different parts of Tajikistan, where they learn the lifestyle of local communities. They even play Tajik instruments and sing Tajik songs, their children enjoy friendship with the children of local people in Tajikistan, and they enrich their culture in this way.

Until 40 years ago, in some eastern districts of the country people used to pearce boys' ears and wear ear rings. Later, this tradition disappeared, and now it is re-integrating into our country as a Western arts from Russia and European countries. It is already possible to meet young people with earrings in one of their ears in the streets.

Another example is that in the ancient Egypt people would invite a special group of wailers to glorify funeral ceremonies. This type of art later integrated into Asian countries and even Great Britain. Lately, it is becoming popular in Tajikistan as well.

As the culture covers all aspects of people's life and activities, the global community, whether or not we wish

it, moves towards formulation of a unified culture - the culture, which links the best patterns of the national cultures. In this process, only selected patterns of the national cultures meeting the universal demand integrate into this universal culture.

CHAPTER 4
INDUSTRIALIZATION – BASIS FOR FURTHER ECONOMIC DEVELOPMENT

4.1. Industry of Independent Tajikistan and its development phases

The need for succesfull integration into the globalization process and minimizing its negative impact on the economy and people's living standarts requires ensuring a solid national economic, including industrial policy and effective operation of the economy's sectors.

The National Development Strategy of the Rebublic of Tajikistan for the period up to 2030 (NDS-2030) defines several key objectives for coming years to achieve the country's strategic goals. In this process, the main objective is to ensure sustainable development through diversification and stronger competitiveness of the national economy. Successfull implementation of this objective is mainly subject to industrial growth and its increased share in the GDP.

The NDS-2030 envisages several development scenarios, of which the industrialization scenario can ensure higher speed of the economic growth. Application of this scenario estimates that the accelerated industrial growth through commissioning new capacities for power generation, extraction of minerals and coal, improvement of garment and food industry, formulation of ferrious industry and further development of nonferrious industry, increased production of construction materials, light and food industry can serve as the driver of the national economic growth [35, p. 4]. With a view to facilitating the development of aforementioned sectors, institutional reforms of the real sector of economy are conducted, favorable environment for fair competition is ensured, existing barriers negatively affecting the private sector development and mobilisation of investment have been removed, and necessary amendments and additions have been introduced to the legislation.

Given the importance of solutions to the issues of transition from agrarian to the industrial model of development of the national economy, it is important to define and study the following issues in the country's industrial development:

1. To what extent the industry became the driver of the Tajik national economy over the recent years;

2. Which factors promote the industrial growth;

3. What challenges the industry face in its development;

And building on the study outcomes, it is important to propose recommendations on encouragement of the industial manufacturing growth and increase of its share in the GDP.

It is important to note that since early 2000, the Tajik economy has been growing gradually with a high rate. The average GDP growth in 2000-2004 made 10 percent, and then it has slightly declined. The global financial crisis of 2008-2009 resulted in rapid decline of growth indicators (down to 3.9 percent) and the industry's share (to 2.6 percent) and negatively affected the Tajik economy. It is worth noting that in such a situation, Tajikistan's economic partners (Russia, Kazakhstan, Kyrgyzstan and other countries) also experienced decline in production and lower rate of economic growth. The anti-crisis actions taken by the Government of the Republic of Tajikistan laid a foundation for the way out of crisis with minor costs and led to further restoration of the average growth rate of 7 percent. It is important to note that during the recent years the economic growth rate is mainly ensured through construction and commissioning of new industrial capacities [36, p. 6].

In our view, Tajikistan's economic growth can be divided into the following phases:

1. Economic decline phase that continued until the General Agreement on the Establishment of Peace and National Record in Tajikistan was signed (1991-1996);

2. Economic revival period (1997-2012), when the economic development reached the level of 1991

3. Sustainable economic growth period (2013 – present)

There are a large number of research publications and books on the first two phases of Tajikistan's economic growth. Tajik scholars, including Nazarov T. N., Rahimov R. K., Kayumov N. K., Mahmudov I. I., Umarov H. U., Komilov S. D., Nurmahmadov M. N. and others made a valuable input in development of independent Tajikistan's economic growth mechanisms, including in the areas of industry, creation of foundation for mobilization of financial resources and protection of investors' rights.

It is appropriate to note that the majority of published scientific works primarily focused on the issue of macroeconomic sustainability. Secondly, these publications cover the economic and industrial growth until 2010, when the country had not yet reached its phase of sustainable economic growth.

Taking into account the creation of necessary environment for the development of industry in the context of transition to industrial-agricultural economic growth model, it is reasonable to study its development peculiarities during the recent years. Tajikistan's third phase of economic growth has seen a visible growth in a number of sectors and particularly a distinguishing industrial growth compared to other sectors. The dynamics of the GDP structure change (Table 1) during the last 6 years shows that the industry's share increased from 12 to 17.3 percent in this period.

Table 1

Tajik GDP structure in 2013-2018 (in%)

	2013	2014	2015	2016	2017	2018
Gross domestic product: including	100	100	100	100	100	100
Agriculture	21,1	23,5	21,9	20,7	21,1	18,7
Industry	13,0	12,0	12,8	15,1	17,0	17,3
Construction	10,2	10,0	11,8	11,2	9,3	9,7
Other sectors	43,0	40,8	41,2	41,7	41,8	43,7
Taxes	12,7	13,7	12,3	11,3	10,8	10,6

Source: Ministry of Economic Development and Trade of the Rupublic of the Tajikistan

The national accounts statistics include indirect taxes in GDP indicators. Their share can decline both due to structural changes, i.e. preferrable development of the sectors with lower tax burden and reduction of indirect rates. However, the declined share of taxes in GDP is perceived as a positive sign of decreased tax burden on economy.

4.2. Factors affecting the national economic growth

Identification of economic growth factors in different phases of Tajikistan's economic development enables to clearly design economic policy measures and can promote the country's further development. It is also worth noting that it is not fair to describe the GDP growth only based on the production factor. Therefore, identifying development sources in the industry itself in future is important for running an adequate economic encouragement policy in the future. In our view, three main factors of Tajikistan's accelerated economic growth can be identified:

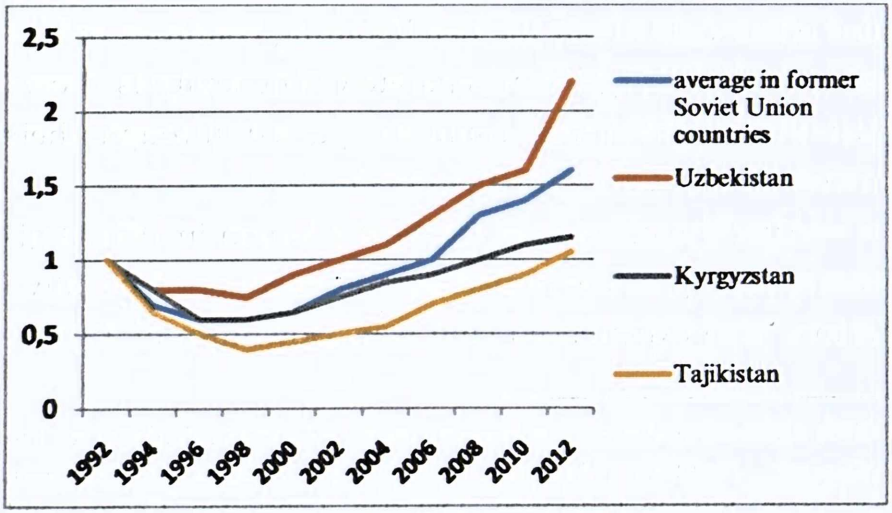
- Low initial base;
- High rate of remittance inflow to the country; and
- High rate of public investment into the country's economy.

We need to recognize that these factors indeed influenced the country's economic growth; however, the nature of this impact has changed over the time. Indeed, the low initial base (through decline of GDP to 34.1 percent in 1991-1997) was linked to intensive economic growth. All post-Soviet countries have passed through the period of recession changes, which was associated both with the disruption of cooperation ties and changes in their economic regime and structure. The Graph 2 illustrates the GDP growth rate of countries and their share against the indicators of 1991. The average GDP indicators of the former Soviet Union countries, which is calculated as arithmetic mean, shows that the lowest GDP rate (57.7 of 1991 rate) was recorded in 1995[13]. The Graph 2 also offers data about the neighbouring countries of Uzbekistan and Kyrgyzstan separately. The analysis shows that the neighbouring countries passed through their lowest level of GDP growth in 1995.

After the collapse of the Soviet Union in 1991, Tajikistan, on top of the impact of aforementioned negative factors, also experienced civil war. Downturn of Tajikis-

[13] This indicator as a simple arithmetic mean of GDP is calculated for the following countries: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgystan, Russian Federation, Tajikistan, Uzbekistan, Georgia and Turkmenistan

tan's GDP compared to other former Soviet countries was more serious and later it reached its peak. GDP in 1996 amounted to 1/3 or 34.1 percent of the GDP in 1991. In 1997 only for the first time the economic development and the GDP growth of 1.7 percent was recorded in the country. After recessional change in the former Soviet Union countries, renovation and rehabilitation started, and the GDP continued growing and reached the indicators of previous period after commissioning of previously idle production assets. However, the aggregate of all aforementioned negative factors made their proportionate impact on the economy. Therefore, the country's economic rehabilitation phase lasted for a long time.



Graph 2. GDP rate variation in former Soviet Union countries

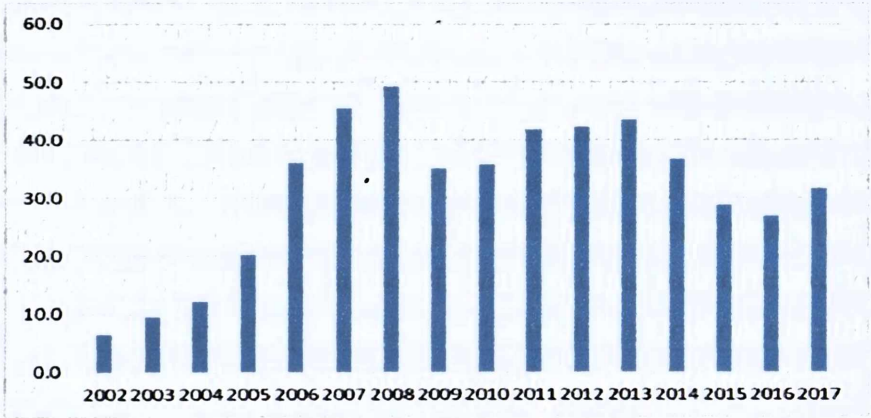
Thus, as a result of changes occurred in the country, in 2012 only Tajikistan's GDP exceeded the level of 1991 while other neighboring countries passed over this level earlier (Uzbekistan in 2001 and Kyrgyzstan in 2008). For example, this indicator accounted to more than 8 percent a year between 2007-2012. It is worth noting that economic development revival in the country completed and this factor has completely changed its mission respectively.

According to experts, another factor of the GDP growth is a substantial export of labour force and inflow of migrant remittances to the country. A World Bank study on migration and remittances conducted in 2013 [38] mentions that in 2012 Tajikistan was the top recipient of remittances against the share of GDP worldwide and this statement is still used in research publications.

Graph 3 offers data on money transfers in percentage of GDP. It is important to note that more than 25 percent of remittances are received through the sale of local products in other countries, and importantly, not all of the amount of remittances come from migrants while a part of them have inflowed through sale of local products in the markets of Russian Federation and Kazakhstan, and the other part, come from Tajiks who are citizens of Russia and Kazakhstan. Since the money is transferred through a single procedure and the banks do not mention

the source of money, it is impossible to distinguish the remittances coming from labor migrants. Therefore, while studying this issue, analysts take into account the total amount of remittances.

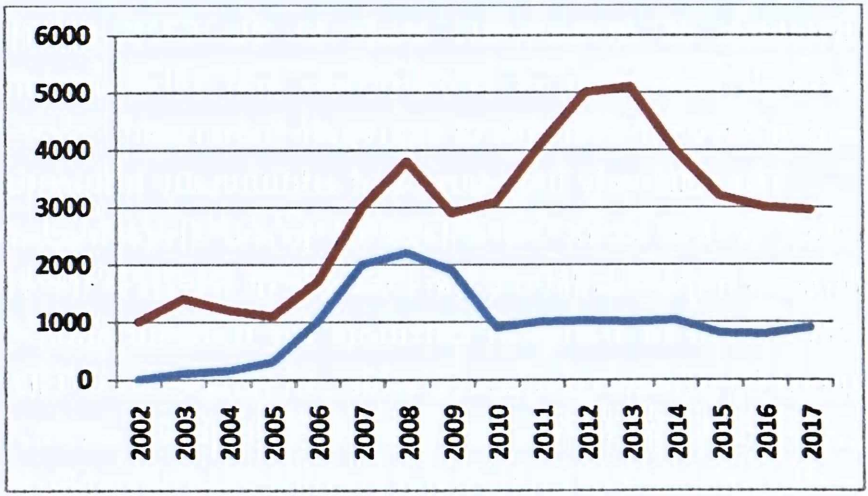
The statistic data shows remittances played an important role in increase of consumption and insignificant role in development of the country's economy.



Graph 3. **Remittance inflow to Tajikistan (in% against the GDP)**

At the same time, the indicators show the declined role of remittances during the recent years. Tajikistan, as early as in 2009, passed through the peak of such form of money inflow. Furthermore, the important factor is that the remittances do not make a direct impact on supply increase, i.e. they are no more considered to be a direct

source of the country's economic development and they play a role only in formulation of demand. According to international financial institutions, including the World Bank, more than 80 percent of remittances are used for consumption. [39, date of visit 23.11.2018].



Graph 4. Dynamics of remittances and import (USD, million)

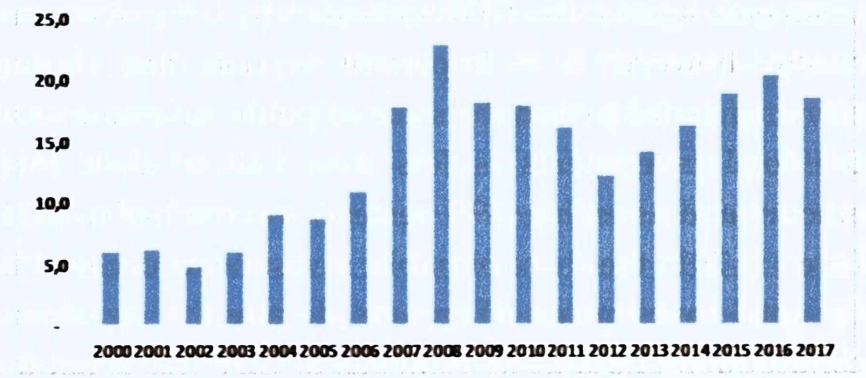
Obviously, the increased consumption leads not only to increased production, but also to greater import, if the country's real sector neglects such an increase.

According to the Graph 4 the correlations between inflow of remittances and the size of import has found its proof. There is a significant interdependence between these two indicators until 2009, which has decreased after

2009. Therefore, we can note with a full confidence that the impact of remittances on the speed of the national economy's real sector development remains to be scant.

The increased public investments are another factor of economic growth in Tajikistan. Before providing quantitative data, it is important to outline that the growing dynamics of investments leads to the GDP growth through expansion of construction and other sectors, which have the elements of aggregate resources.

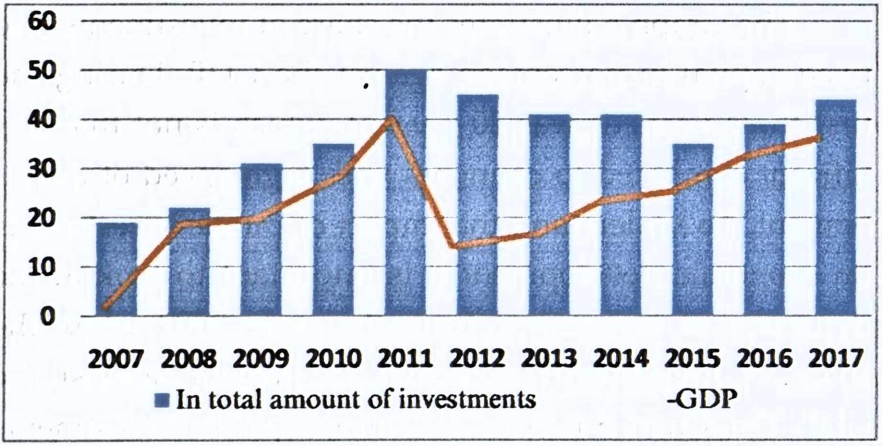
The relatively long-term and additionally influential effect is the extra advantage of grand infrastructure projects implementation, the example of which is the establishment of transport corridors for transportation of goods by private companies, which in turn, ensures GDP growth through the encouragement of the privat sector. It is also impotant to understand that increase of public investment has also its ceiling and it is linked to the budget capacity for funding. Otherwise, its increase can lead either to higher tax burden for the private sector or to increased foreign debt, which eventually would discourage the private sector.



Graph 5. **Investments in the fixed capital (in% against the GDP)**

The Graph 5 illustrates the share of investments into fixed capital in percentage against the GDP. During the first three years, it was 20 percent, which is not that significant compared to countries with high speed of development. To understand the impact of public investments on economic development it is important to look at the dynamics of investment from the early 2007 when the share of investments exceeded 15 percent against the GDP. The Chart 6 reflects the ratio of public investments in the total investments (column diagram) and in the GDP (linear diagram). In fact, the level of public investments in Tajikistan is relatively high based on the norms applied by the countries, which chose market based economy, and it significantly contributes to the GDP growth. In average, between 2007-2017 the ratio of in-

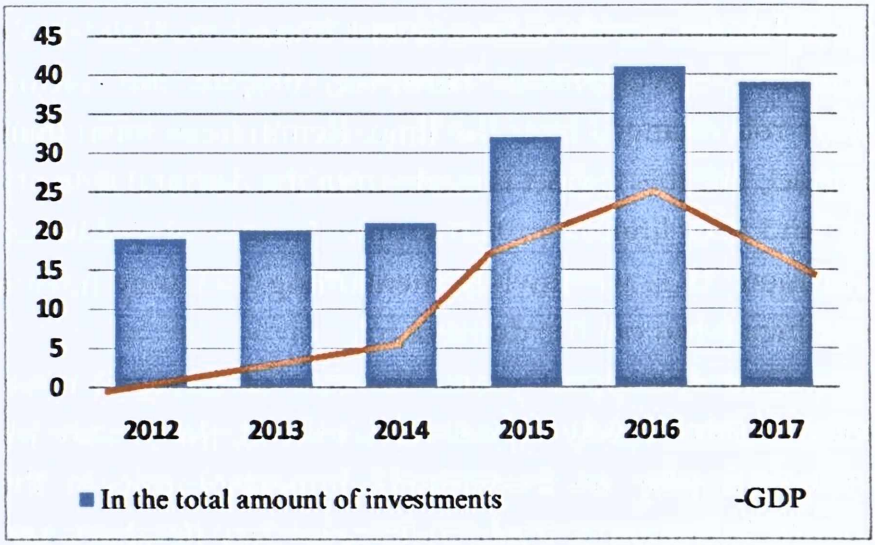
vestments against the GDP increased by 0.4 percent annually, however it is important to note that during aforementioned period the share of public investments in the total investments is less than half of their total amount and its ceiling (49.9 percent) was reached in 2011. Later, in 2015 the share of public investments declined in the total investments. Therefore, despite the significant contribution of public investments to GDP this is not the only factor for economic growth.



Graph 6. **Ratio of public investments against the GDP (in%)**

Thus, this proves that the share of public investment does not exceed 50 percent and the private investment constitutes more than half of investments since the private investments play a significant role in Tajikistan's

economic development. It is reasonable to study the structure of this type of investments and identify their details (components). The Agency on Statistics under the President of the Republic of Tajikistan regularly publishes official data on three types of private investment: foreign investments, joint investments, and public investments. Additional analyses prove that the foreign investment exceeds the domestic investment during the recent years (Graph 7).



Graph 7. **The ratio of foreign investment (in%)**

This data proves that the role of foreign investment have relatively strengthened during the recent years.

Having had compared their ratio with the GDP and with the ratio of total investment, it is possible to note that the foreign investments and public investments had approximately equal share, and the foreign investments had higher rate of increase during 2015-2017. Thus, the share of foreign investment in the GDP increased in average by one percentage point, while the foreign investment and the public investment by 0.5 percentage point respectively during 2012-2017.

Therefore, it is important to note that all abovementioned factors made their relevant impact on Tajikistan's economic development. However, despite this factor, their role changed over the time. Remittances have their impact, but this impact is made from the demand side only, and it is limited in the supply. In case of public investment, it is worthwhile mentioning that they have a significant but not the decisive role.

Over the recent years, the role of foreign investments has relatively raised. And, overall, the private investments play an increasingly important role in the country's economy. Such an increase has its shortcomings, as it was outlined above, the public investment has a scant role while the private domestic have a visible role in the economy. However, sustainable development over many years proves that this development model is rea-

sonable, particularly in the period of market economy formulation in the country. Increased foreign investment proves that Tajikistan pursues a national economic policy that encourages greater foreign investments and thereby ensures growth of production in the real sector, including in the industry.

Tajikistan runs economic reforms to create a favorable investment climate and the following points can be highlighted in this regard:

- Types of taxes reduced from 21 to 10;
- Improved system of licensing and permits resulted in reducing the total number of licenses from 605 to 86;
- Accession of Tajikistan to the WTO in 2013;
- The launch of Single Window for registration of legal and individual entities;
- Development and adoption of the Law of Tajikistan on public protection and support to entrepreneurship, and establishment of financial institutions for support of businesses;
- Introduction of public-private partnership through the adoption of a relevant law and establishment of a dedicated institution.

In recognition of visible progress it is worthwhile mentioning that Tajikistan was in the list of top ten reformers in 2010, 2011 and 2015 in the World Bank's 'Doing Business' Report. The 2018 Doing Business ranked Tajikistan 123rd and the country improved its position for many indicators. The important thing is that the majority of reforms in Tajikistan are implemented based on public-private dialogue within the Investment Climate Improvement Consultative Consul of the Office of the President of the Republic of Tajikistan that was established based on an executive order by the President of Tajikistan in 2007. It is important to note that many of the region's countries are alike each other in implementation of institutional reforms. The chart above shows that some countries made significant achievements in this field. For example, the Kyrgyz Republic's economic policy focuses on peaceful reforms; nevertheless, the country's economy shows a relatively lower level of growth. Hence, Uzbekistan protects and pursues policy focusing on industrial production through administrative methods. This country achieved a relatively high rate of economic growth at the initial period of its development by applying this tool. Tajikistan would also want to pursue policy promoting the development of all sectors, primarily the industry.

4.3. Tajikistan's economic policy and industrialization

Setting up a legal and economic system for operation of business entities, simplification of the business registration process, business inspection procedure, system of permits and licensing, taxation, regulation of external trade relations and other actions play an important role in industrial development of the country.

The NDS–2030 envisages the following priorities in the industry: imoprovment of competitiveness and establishment of value added chain in the industrial subsectors, increase of manufacturing and marketing of competitive products in the domestic and foreign markets, establishment of an effective system for training of professionals with the skils to learn innovative industial technologies, production of innovative products, establishment of institutional foundation for sustainable development of industry, establishment of clasters, development of the national system for production of import-substituting products through the processing of local resources, particularly in agriculture (processing of vegetable and its increased production), construction, garment and food industry.

Midterm Development Program of the Republic of Tajikistan for 2016-2020 defines the following areas of action for development of industry: improvement of the customs and tariff regulation system with a view to protecting local producers within the World Trade Organization, which Tajikistan acceded to in 2013; improvement of the fiscal policy to ensure supply of the industry with cheap financial resources, improvement of tax policy to encourage private investors; improvement of legal and regulatory framework, modernization and diversification of industry sectors, improvement of the quality and the image of local industrial products in the domestic and external markets.

Tajikistan has a favorable environment for accelerated industrialization, including: speedy increase of production forces (more than two percent a year), more than half of which are capable for work, availability of huge water and energy resources, mineral and raw material, fuel (coal), which can serve as driver for development, for extraction of metals and industrial production, ferrious and nonferrious metallurgy, production of construction materials, and other areas.

Significant achievements in energy security and energy efficiency, food security, and population access to quality nutrition, regional connectivity and construction

of international roads with a view to transferring the country into a transit zone and increased public employment served as the foundation for the country's accelerated industrialization and defining it as the fourth strategic objective of the country.

It is impossible to ensure the country's industrial development without uptodate transport infrastructure that could ensure uninterrupted economic connectivity between districts and towns of the country. Therefore, the existing infrastructure and implementation of the relevant projects on improvement of automobile roads quality would promote the counrtry's industrial development.

Tajikistan's economic policy has several peculiarities of it focusing on economic development encouragement. The country's legislation offers a wide range of incentives and guarantees, including about 240 incentives for running business and mobilizing investment into the national economy. Furthermore, adoption of the Law of Tajikistan on Investment Agreement enabled the investors with grand projects request the Government to grant special incentives and guarantees taking into account the specifics and risks associated with implementation. Additionally, the public budget funding for the economic sectors is significant as it was mentioned above. Besides, the local executive authorities are mandated to comprehensively

support the businesses in establishment of enterprises, including industries. These specifics of the economic policy are aimed at targeted implementation of institutional reforms in the country and improving effective use of the country's industrial assets. Institutional reforms of the economy led to development of all sectors of the economy; however, the targeted industrial reforms created specific provocative phenomenon for the industry development and restoration.

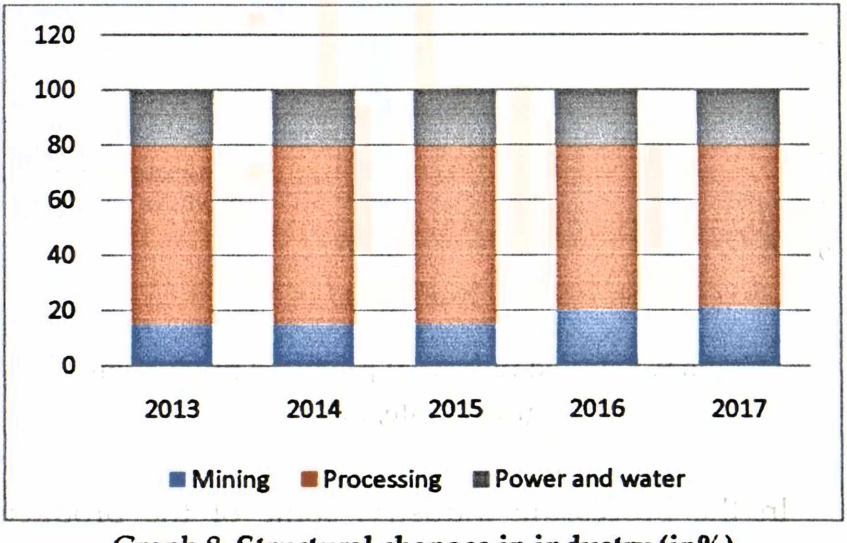
Table 2

Development Dynamics of Industrial Sectors in Tajikistan (in%)*

	2013	2014	2015	2016	2017	Average development rate in selected period
Growth rate of Tajikistan's industrial sector (in%)	143,1	124,8	116,5	150,0	122,5	130,8
Mining	99,2	101	110,2	112,8	122,7	108,9
Generation and distribution of power: gas and water	105,2	107,1	111,4	103,7	116,5	108,9

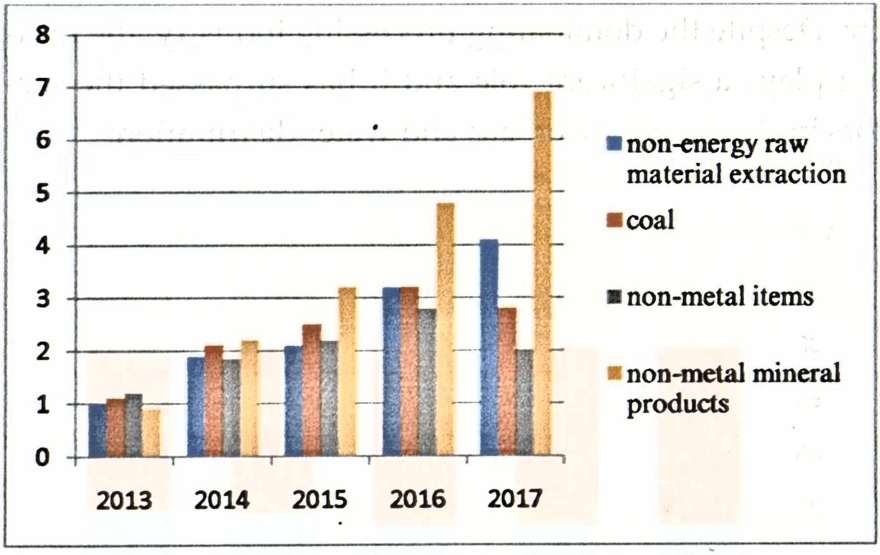
* Source: [3] Annual statistics of Tajikistan

Information on development rate of the industry's main subsectors proves their significant and constant growth during the recent years (Table 2). Furthermore, output growth rate in all subsectors is higher against the GDP growth rate and this means the positive and growing contribution of these sectors to the economic growth. In this context, the mining sector's growth rate is specifically significant with 30 percent annual increase. All of these factors led to change in the structure of the industry. Despite the dominating processing industry, the mining plays a significant role and it has surpassed the sectors in charge of power, gas and water distribution.



Graph 8. **Structural changes in industry (in%)**

It is important to note that this development is achieved thanks to the strong increase in production of selected products. For example, in the mining sector, extraction of non-energy items (gold, silver, other nonferrious metals, malm-rock, lime, marble, salt) increased by 4.2 times, extraction of coal by 4.6 times and extraction of non-mineral items by almost 2 times during the last 5 years (Graph 9).



Graph 9. **Selected industrial products' production growth rate, in%**

In the processing industry, some of the products showed growing and attractive dynamics, including

processing of non-metal mineral items such as cement, concrete, lime, alebaster, and other items increased by 6.5 times. This proves that the important outcome of the economic policy is not improving value indicators of production enterprises rather establishment of new enterprises and creation of jobs.

As it was mentioned above, the average annual growth rate of mining industry increased by 30.8 percent, processing by 8.9 percent, and generation and distribution of power, gas and water by 8.9 percent during the period analyzed. This process, in its turn, led to structural changes in the industrial sectors, which can be seen in Table 3.

The relatively dynamic growth of the country's mining sector compared to other sectors (30.8 instead of 8.9 percent) made it possible to increase its share in the total industrial production from 11.2 percent in 2013 to 22.6 percent in 2017 or 11.4 percentage points. Respectively, the ratio of industrial processing sector (10.9percentage point) and generation and distribution of power, gas and water (0.5 percentage point) declined. The industrial mining production increased mainly after the Tajik-Chinese Mining CO. LTD on production of lead, tin, and copper consentrates became operational.

Table 3

Structure of the industrial sectors (in%)*

	2013	2014	2015	2016	2017	2017 VS 2013 in%
INDUSTRY Including subsectors	1100,0	1100,0	1100,0	1100,0	1100,0	-
Mining industry	11,2	13,3	13,5	19,9	22,6	+ 11,4
Processing industry	69,5	66,1	65,6	62,1	58,6	- 10,9
Generation and distribution of power, gas and water	19,3	20,6	20,9	18,0	18,8	- 0,5

*Source: Industry of the Republic of Tajikistan. 2019. p. 16.

Such a structure of industrial subsectors do not meet the expectations in terms of the sector's sustainable development and the economy overall. According to international standarts on the structure of industrial subsectors, the share of the processing subsector should constitute more than 70 percent, while it is equal to 58.6 percent or lower by 11.4 percentage point.

The National Development Starategy of the Republic of Tajikistan to 2030 envisages the following targets in term of structure of industrial subsectors.

Table 4

Structure of industrial subsectors (in%)*

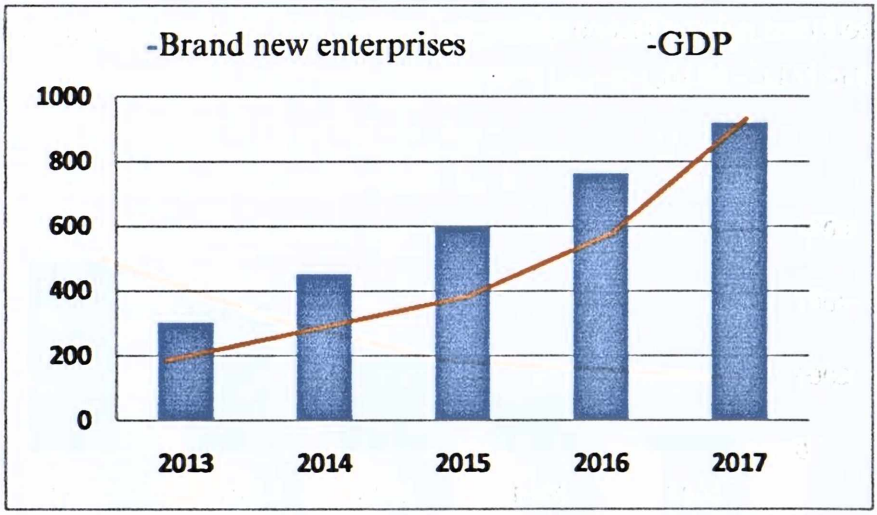
	2017	2030	2030 VS 2017, in%
INDUSTRY Including subsectors:	100,0	100,0	
Mining industry	22,6	10,0	+ 12,6
Processing industry	58,6	75,5	- 16,9
Generation and distribution of power, gas and water	18,8	14,5	+ 4,3

*Source: National Development Strategy of the Republic of Tajikistan to 2030

The data in tables 3 and 4 proves that currently the strategy indicators on growth of industrial subsectors is still far away from the target (-16.9 percentage point). Therefore, it is important to undertake necessary actions to ensure the subsector's development. The industrial policy's main objectives should be to improve the situation in the sector and rebuild its structure aimed at increasing the share of value added products.

The National Development Strategy envisages particularly improvement of the sector's structure and reach 30 percent of the share of industrial products share in GDP to achieve accelerated industralialization. To achieve this goal, it is important to have production equipped with uptodate technologies, particularly in pharmaceutical and engineering (primarily the transport and agricultural sector), chemical (particularly production of mineral fertiliser), oil and chemistry (commissioning oil refinery in Danghara Free Economic Zone), and ferrious metallurgy (establish production of metals from locally extracted lead, tin and copper).

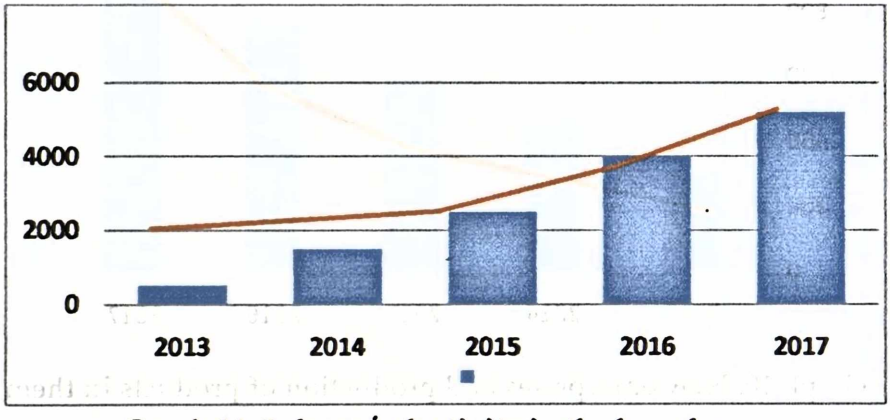
It is important to note that there are plans to reach 69% share of the industrial processing sectors by 2025, i.e. to increase it by 10.4 percentage point from its current rate during the coming five years and increase it by only 6.0 percentage point during the next other five years (by 2030). This plan has a realistic ground and it is justified with the implementation of projects on construction of new processing enterprises. It is the newly established enterprises, which play a decent role in achieving this goal. The following information is a proof to this statement. (Graph 10).



Graph 10. New enterprises and production of products in them

The figure 10 reflects the number of brand new enterprises established in 2013-2017. It shows that during the last four years there was a stable dynamics of commissioning almost 150 industrial enterprises. In 2018 alone more than 131 new enterprises were established in the country while the number of their staff reached 13.700 in 2017 increasing by 2 times compared to 2013. Overall, these enterprises created more than 53,300 jobs. This reality is very important because the labor productivity in the newly established enterprises is still in its development phase and their value in 2017 has increased twice against the comparable data of 2013. This proves that the newly established enterprises introduced and applied uptodate

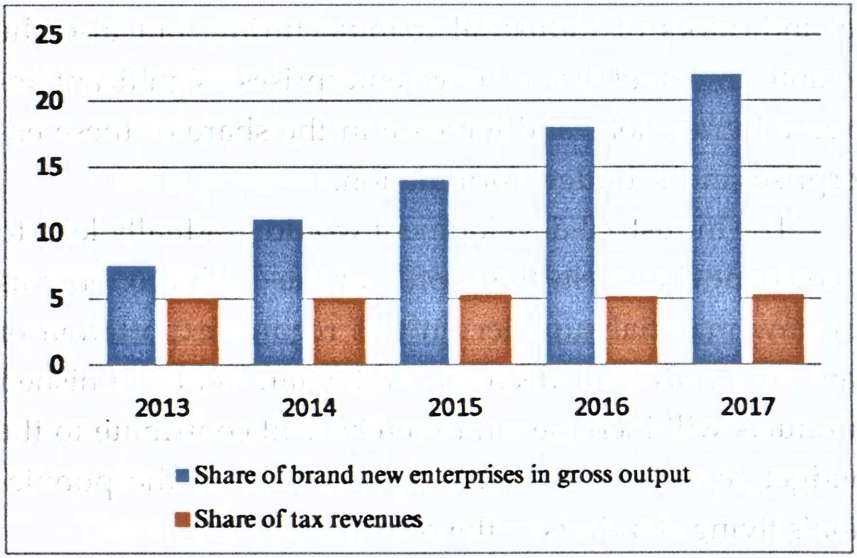
technologies. These changes are in line with the goals of the NDS-2030.



Graph 11. **Labor productivity in the brand new industrial enterprises**

The growth of brand new enterptises, introduction of the latest technologies, and creation of new jobs made it possible for the enterprises to make an increasingly substantive input in manufacturing of industrial products between 2013-2017. Thus, based on the outcomes of 2017, their share in manufacturing of industrial products reached 21.6 percent against 7.8 percent in 2013. A very important fact is that these enterprises make positive contribution to the public budget against the tax incentives they are granted. Currently, there is a moderate dynamics

in the growth of this share to budget and it reached 6.3 percent in 2017 against 4.8 in 2013 (Graph 12).



Graph 12. **Share of brand new enterprises in the country's GDP and budget.**

The previously offered analyses show that the role of various economic development factors changed significantly over a long period. The foreign investment has been on the top in the list of economic growth factors during the recent years. Overall, increasing GDP and industry growth rate was maintained through significant public investments and increased demand as the result of increased remittances. Comprehensive and targeted insti-

tutional reforms in the economy resulted in increased foreign investments in the country. The results of these reforms are not only the increased production and natural indicators of industrial manufacturing, but also the establishment of brand new enterprises, significant increase in new jobs and increase in the share of these enterprises in the budget formulation.

The industrial development would gradually lead to a constant change in the profile of the Tajik economy as the raw material supplier. In this regard, exportation of raw materials will decrease and value added finished products will increase, and thereby will contribute to the budget replenishment and improvement of the population's living standarts in the country.

Implementation of the objectives defined for the country's industrialization requires not only establishment of new industrial companies, but also increased production efficiency. In parallel with solutions to introduction of innovations, it is reasonable to undertake actions to reduce the production cost of goods and services, improve their quality and profitability.

Increasing labour productivity is another issue to address for development of this sector within the tough competition in domestic and foreign markets. It is worthwhile noting that despite significant progress in re-

forms, there is still a room for further improvement. In particular, it is important to highlight the following aspects of economic growth yet to be implemented:

- The private domestic investments play a miserable role in the country's economic growth. Despite some growth in 2018, there is still no promising prospect in terms of investments by domestic enterprises;
- Granting tax insentives to newly established enterprises given the significant social expenditures of the budget would further increase the tax burden. In particular, this may be the reasons for the low level of investment by domestic enterprises.

Therefore, in our view, it is reasonable to continue reforms both in order to create an effective professional environment overall, and to improve and enhance the target oriented performance of existing enterprises. It is important to grant tax and other incentives equally to the newly established and existing enterprises.

With a view to protecting entrepreneurship in the country, it is important to improve the performance of governmental institutions, including the Business Support Fund, and introduce the methods of operation applied by development banks in this fund's operation. Entrepreneurs and the fund should operate in partnership

and commit joint responsibilities for the outcomes of projects. To do so, it would be reasonable to study the experience of international banks in project funding. We believe that international financial institutions such as the World Bank and EBRD stand ready to train our stuff and share their experience in application of different tools for project investment.

It is also important to improve project implementation activities in the field of processing industry. Plans of action to various programs should not be limited only with improvement of the legal and regulatory framework for development of the industry. Along with establishment of new industrial enterprises, it is also crucial to ensure the development of existing enterprises.

To achieve this objective, it is necessary to identify 10-20 local producers that would serve as the starting point for further industrial development and develop financial improvement programs for them. At the same time, support to the enterprises of this kind should not be limited with tax incentives and additional investments only. These initiatives should also encompass the issues of human resource development, financial security, technological and innovative development as well as marketing and management. Only this approach can ensure effective public support.

CHAPTER 5
THE NEED TO ENSURE FURTHER DEVELOPMENT OF AGRICULTURE AND SME IN THIS SECTOR

5.1. Tajikistan's agriculture and its challenges

Though in line with the NDS-2030 and other government programs more focus will be made on the industry onward, ensuring further development of other sectors, including agriculture, will remain as the main task of governmental institutions. Hence, running an effective economic policy would require even development of all sectors of economy and failure to comply with one of principles for running such a policy would lead to increased prices, failure in achievement of macroeconomic indicators, and cause social challenges in the country.

Since the early 2014, due to the worsened economic situation in Tajikistan's trade and economic partner countries, particularly Russian Federation and Kazakhstan, the economic situation in our country also changed,

which was reflected in lower growth rate of the agricultural output and population's monetary income.

Tajikistan annualy exports up to 200,000 tons of agricultural products to these countries. In previous years, the value of this export would amount to USD 800million. The difficult economic situation in these countries resulted in declined prices of the Tajik export commodities and exchange rate of the national currencies (rubble and tenge). As a result, despite the exportation of the same volume of agricultural products the amount of income from their sale has decreased twice.

The fluctuations in exchange rate of rubble and tenge also impacted the amount of remittances by the Tajik citizens working oversees. According to the data published by the Central Bank of Russia, the amount of remittances declined by more than 2.2 times during the recent three years [42, p. 3]. These factors led to declined monetary income and purchasing power of the population, which in turn negatively affected the sale of products in the market and effectiveness of enterprises.

Furthermore, the aggravated political situation in the Islamic Rebublic of Afghanistan caused challenges in transit of local products from Tajikistan to South Asia and vice versa. Limited possibility of procurement of agricultural products such as potato and fruits from Pakistan

and Afghanistan in early 2017 led to rapid increase in their price in the domestic markets. This trend continued in 2018 as well. For example, the price of carrot and cabbidge increased by 51.8 and 87.4 percent respectively compared to 2017. Concurrently, due to the impossibility of vegetable exportation, the price of onion failed by 46.4 percent, pumpkin by 20.8 percent and pea by 20 percent, which can discourage farmers to work for the sector's growth [40, p. 51]. Unfortunately, there were also difficulties with the sale of early onion in 2019 and the farmers did not gain expected outcomes from this type of activity.

The agriculture is the most important sector of the national economy and the main source of population's supply with food and employment. Its share in the GDP accounts to 20 percent lately. Though it has declined to 18.7 percent in 2018 due to the challenges faced by the sector, however, this indicator would further increase based on the possibility of addressing the existing challenges in the coming years. Therefore, we need to attach a particular attention to this sector.

I believe that after the collapse of the Soviet Union and during transition to market based economy some ommissions were made. First, based on the proposals of international organizations the large farms specialized in the production of cotton and other products with a good

physical infrastructure were restructured to smaller farms. As a result, thousands of managers with neither experience nor adequate funding to run production replaced hundreds of experienced and prospective managers.

At the same time, deterioration of machinery, low quality of seeds and constrains with the procurement of new machinery and quality seeds led to decrease in crop yields, some of the land plots were left fellow while others were used primarily for production of low yeald and labor intensive crops.

The production of cotton as the core agricultural crop during the Soviet Union has declined year after year. On top of that, the lack of fertilizers, machinery and inadequate tillage resulted in a lower yield and reduced production of high yield crops. During the Soviet period in average 27.6 quintal of cotton per hectare used to be harvested. Now, this indicator dropped down to 18-19 quintals while it is equal to 70 quintals per hectare in advanced cotton producer countries. Sadly, it is hard to give a positive mark to the current level of development of the country's agriculture.

The sector that employs 70 percent of the country's population and has thousands of years of experience must have a very high level of development, productivity

and effectiveness. Therefore, even 7-8 percent of annual increase is low enough to be considered as a desirable outcome. In 2018, its growth rate made 4% only, which is much lower compared to 2017 [41, p. 291].

As it was noted above, in 2018 agricultural output increased by 4% only while the population grew by 2,24 percent in this year [42, p. 2]. Thus, its impact on living standards which is calculated based on the GDP per capita, made 1.76 percent only.

According to the estimates, of 7.3 percents of GDP growth in 2018 two percentage points fall to industry, 2.4 percentage point to construction, and only 1. 1 percentahge point to the agriculture. The share of the agricultural output in the GDP decreased by 2.8 percentage point compared to the previous year.

To ensure this sector's growth, it is primarily important to improve land management, crop production animal husbandry and other areas of agriculture. In winter, when farmers are relatively free, it is important to arrange workshops and training sessions to improve the knowledge of farmers. It is crucial to share with them the best practices on land management, production technology, storage of products and their delivery to consumers, preparation for the next year activities, and other agricul-

tural issues with the involvement of experienced specialists.

It is important to import and use high quality seeds instead of poor quality seeds by building on the experience of other countries. However, we must always keep in mind the development of the domestic selection and seed production.

As for the livestock, breed improvement and higher outcomes should be taken as a national task. In case of importing from abroad and arranging care of highbreed animals it is important to pay a particular attention to eradication of diseases in local breed animals. Currently, local producers have to undertake extra safeguard measures to ensure the health of local breeds alongside importing highbreed animals from overseas and saving them from various diseases, and, this requires additional expenditures, which would negatively affect the activity of entrepreneurs.

Development of various branches of agriculture such as poultry, rabbit breeding, apiculture, and other areas requires specific knowledge and skills. Therefore, it is important to develop specific programs in line with time requirements for each subsector taking into account its specifications and track their timely implementation.

5.2. Pathways towards adequate agricultural development

To achieve a new level of agricultural development in the country, in our opinion, it is important to undertake necessary actions in the following areas:

1. The main objective of farmers should be to make profit. Farmers' performance should be assessed not in terms of the time and volume of products they produce rather than the amount of profit they received. Information on production of potato and other agricultural products is published annually. However, it is impossible to find data on the total profit received by farmers or farming ownerships from this type of activity. While this is the main indicator of effectiveness and profitability of production, only profit can increase the motivation of the farmer to develop his or her production. Therefore, farmers should be interested not only in the type of product, but also in the profit they get from production. The type of product and the required volume of its production should be identified by the intermediary institutions or the state (in case of procurement of ordered products).

2. Collection and supply of farmers with necessary information on the market situation, prices, exchange rate, demand for goods and other aspects should be one

the tasks of farmer associations or authorized government agencies. The Russian Federation has been requesting Tajikistan for the last three years to sell the agricultural products to them. Tajikistan promises, however, its volume of export is miserable. The reason is that there is no accurate information about the farms' activities, their products, productivity and other items. On top of that, large Russian trade companies purchase large volumes of goods as transportation and logistics of small volume would cost too high. Sadly, the lack of appropriate contract between farms producing the same products does not guarantee organizing and submitting in reasonable timeframe large amount of goods.

3. Preliminary planning, identification of the volume of seeds, fertilizers, fuel and other inputs for the next year procurement is another action to be ensured by the farmers' association or their federations. Only collective solution to this issue can ensure the purchase of high quality inputs with lower prices.

4. Increasing non-agricultural income is another task of the sector. It is important to pay a special attention to the development of eco-tourism, agricultural tourism and other ways to attract foreigners and compatriots to rural areas, ensure their engagement in the fieldwork, animal husbandry and other activities.

5. Though there are more than 145,000 dehkan farms (farming ownerships) in the country, there is still no model dehkan farm to build on in training others. Indeed, there are advanced farms but a model farm is the one with its own funds and benefiting from favorable access to credit, established accounting, proper system of the perchase and sale of inputs and products, efficient use of funds given the sector's seasonality and other aspects. It is important to note that until now, i.e. during 27 years the majority of farm managers determined the crops to grow next year based on the market price in the current year. As a result, prices of some products fall in the market and the farmers do not get desired outcomes due to their overproduction. It is the task of the Ministry of Agriculture's division to control this process, identify information on the potential market situation for the next year and share it with farmers. An individual farmer may ignore this approach, however it can create an appropriate production planning in the future.

6. The global practice shows that currently most countries support their agricultural sector in every possible way. For example, the European Union supports the farmers by providing additional finance for animal husbandry (225 euros per animal per year), purchase of equipment, machinery, fertilizers, interest payment, iden-

tification of import duties for the locally produced products and other activities. In some countries, government agencies are in charge of land fertility and appropriate maintenance of land reclamation. The former Soviet Union countries also have different systems of support. For example, the public support is equal to 10 percent of the value of agricultural output in Russian Federation, 18 percent in Belarus, and 3% in Kazakhstan. In 2016, Russia allocated RUB 237 billion of budget resources and Kazakhstan allocated KZT 176 billion for this purpose. Tajikistan also wrote of the farmer debts several times, and thereby promoted the sector's growth. It is important to support farmers through different tools in the future also.

7. Arranging and stimulating the export of agricultural products is one of the main factors for the development of the sector and national economy. Protecting local producers and increasing production of import-substituting products based on existing capacity and in line with the World Tarde Organization criteria should be another task of governmental institutions.

8. It is not easy to encourage farmers for the production growth without a proper accounting and effective cash management. They always should be aware of their performance and financial situation to be able to undertake actions in case of necessity. Accounting will also

make it possible for farmers to pay their taxes in a timely manner, and make settlements with relevant agencies and eliminate the root causes of corrupt practices. At the same time, farmers will be able to save a part of their profits and start their activities with their own funds in the following year.

9. The revalant institutions need to undertake actions to establish wholesale markets for the sector's products locally. Currently, farmers bring their produce to the capital with great difficulties and huge expenditures, but they have no other option than selling it to intermediaries at half price. Sadly, farmers have not yet been able to establish institutions protecting their interests. One of the tasks of such an institution should be protecting farmers from fraud.

10. The taxes and payments made by dehkan farms constitute 1.8% of the total taxes, but more than 35% of tax officers are engaged in control and charging taxes from these farms. İt would be reasonable to simplify the taxation system for these farms and mobilize the released tax officers for implementation of other tasks.

11. One of the current issues is the declining soil fertility and low yield. To address this issue, it is important to vitalize agrichemical laboratories to support farmers in determining suitable crops. It is important to select the

crop variety for planting based on the land quality. Only fertile land along with other necessary factors can ensure productivity. It also would make it possible to identify the profitability of cultivation and production of products based on the market situation and potential prices.

12. It is important to pay a particular attention to domestic selection and seed production. The experience shows that other countries are not interested in selling high quality and promising seeds. Although we buy seeds at a high price, however, they do not provide the same yield in the second and in the following years. Therefore, it is reasonable to develop this sector in the country. Indeed, scientists work on this issue, however, the results they achieved is not satisfactory. It would be good to merge the country's Academy of Agricultural Sciences, research institutes and other scientific institutions working in this field, and mandate the new agencies with clear tasks to study, summarize and apply their scientific achievements in practice.

13. Arranging the chain of production, processing and marketing of agricultural products with a view to ensuring its effectiveness is another task the revalant institutions have. To do so, it is important to transfer the processing of the agricultural products from the Ministry of Industry and Innovative Technologies to the Ministry

of Agriculture. Ensuring this chain would increase motivation of producers for the production and processing of high value added products.

14. Changing the mindset of farmers in terms of operation in the market context is one of the important tasks of revalant institutions. We need to get to the point when we would feel shame to use the term of "poor farmer". It is important to treat farmers as entrepreneurs, market suppliers, employers, owner or holders of the land use rights, drivers of society and supporters of the government.

15. Implementation of the initiative of the Founder of Peace and National Unity, the Leader of the Nation, President of the Republic of Tajikistan, H.E. Emomaly Rahmon on transition from agrarian and industrial to industrial and agrarian model of economic development requires undertaking appropriate actions. However, this does not mean reducing agricultural production or making it as a secondary sector, in contrary, this sector would further grow and the production would increase in the future. The only change we can expect is that the share of agriculture in GDP would be lower than the share of industry.

Thus, a solid agrarian policy, training of highly qualified professionals, study of the best practices and

application of the science and development achievements, as well as taking into account the aforementioned proposals would promote the sector's development.

5.3. Small and medium entrepreneurship – main driver of the economy

Small and medium enterprise (SME) is the main driver for societal development in many countries and it has a significant share in GDP, employment and budget formulation. It also plays an important role in addressing social issues. Therefore, the economic development strategies and programs of various countries pay a particular attention to this aspect of development and create favorable environment to ensure its progress.

Tajikistan from the early days of its independence ensures continuous development of its national economy by adopting laws in line with the requrements of the new context of governance and economic management, through constant reforms and adjustment of its economy to market conditions. As a result, accelerated economic growth started and the GDP grew year after year along with peace and stability ensured in the country.

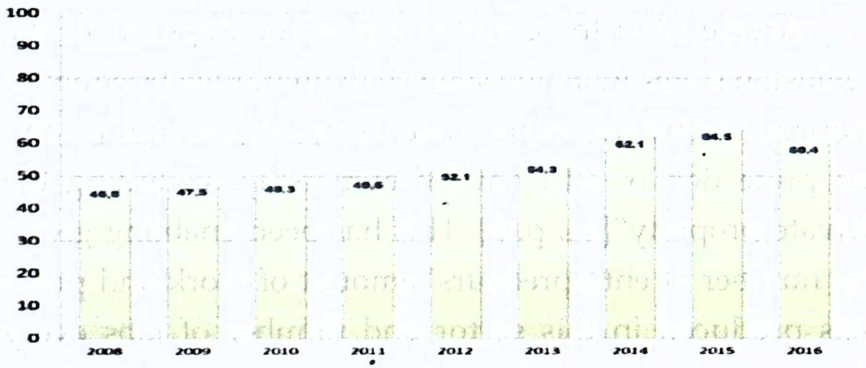
It is obvious that the services (45-47%) and the agriculture(21-23%) have greater share in the GDP. SMEs

serve as the main development driver and they have bigger share of the growth output in both of these sectors. The SME has also decent share in the industry and construction sectors.

Article 12 of the Constitution of the Republic of the Tajikistan states that "the state shall guarantee freedom of economic activites, entrepreneurship, equal rights and the protection of all forms of ownership, including the private property"[44, p. 9]. This has been enabling growing number of entrepreneurs' amount of work and products produced in this sector and number of jobs every year.

Entrepreneurship as an independent activity run by people at their own initiatives is aimed at making profit. Entrepreneurs produce goods and services demanded in the market. The growing and changing needs of people, in turn, make entrepreneurs to constantly explore uptodate methods of doing business: to offer new goods and services at affordable prices, to apply new technologies to improve quality of their products and services as well as other activities. This is the reason the country's economy has been steadily developing thanks to the proactive engagement of entrepreneurs.

The statistics shows that the share of this sector in the economy has been increasing year after year and the SME has formed more than half of the GDP since 2011.



Graph 13. **SME share in GDP (in%)**[14]

As the Graph 13 shows, the share of this sector in the GDP has been steadily increasing every year, however, it has slightly declined (4.1 percentage point) in 2016 compared to 2015. Commissioning new enterprises-legal entities that do not belong to the group of SME, and accelerated industrial development (16%) in 2016 are the main reasons of having this trend.

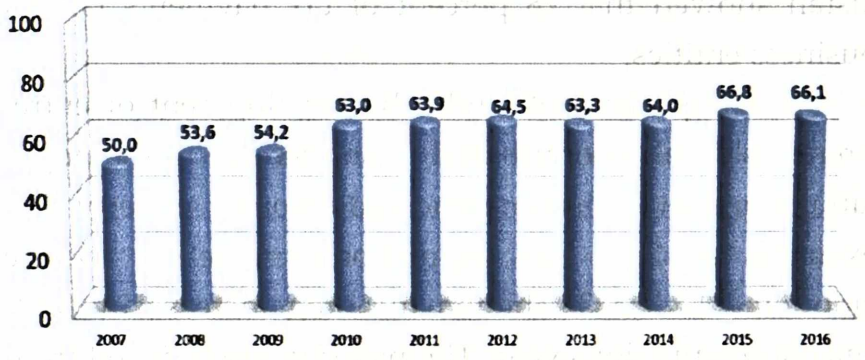
The increased share of SME in GDP was ensured initially through privatizaion of public property and later

[14] Source: Statistic Collection of the Agency on Statistics under the President of the Republic of Tajikistan for 2008-2016

through creation of business enabling environment and the government support.

Small and medium enterprise is not only the main contributor to GDP, but also the largest employer. The SMEs are the main employer for rural population as Tajikistan is an agrarian country with the majority of its population (73%) living in rural areas [46, p. 27].

Given the specifications of the current economic mamagement in Tajikistan, the private sector mainly comprises of small and medium businesses and as of January 2017, it employs 1577801 people or 66.1 percent of the working age population.



Graph 14. **SME share in public employment (in%)**[15]

[15] Statistic Collection of the Agency on Statistics under the President of the Republic of Tajikistan for 2007-2016

As you can see in the Graph 14, development of entrepreneurship in the country contributes to the steady growth of jobs. In 2016, the share of the business in employment slightly decreased (0.7 percentage point) due to the economic difficulties of recent years and the relative slowdown in the growth of a number of macroeconomic indicators of business entities. Based on experience of previous years, we can predict that the goods and services in the sector will increase again.

Entrepreneurship, the main purpose of which is to make profit, is also an important source of budget revenues. The analysis by the State Comittee on Investments and State Property Management of the Republic of Tajikistan showed that 78 percent of tax payments fall on business entities.

In the perioud of study the development of entrepreneurship also contributed to an increase in the population's monetary income and reduction of poverty. For example, in 2017 the population's monetary income amounted to TJS 34.6billion meaning increase by 8.1% against the previous year. The poverty rate reduced from 53.5 percent in 2007 to 27.4 percent in 2018 [36, p.5].

Political and economic security is of extreme importance for the country's development. Society, at all stages of its development, comprises of classes, among which

the middle class is most interested in political, social and economic stability. The experience from the period of insecurity in Tajikistan and everyday unrest in the world proves that the middle class (owners of small shops and workshops, service outlets, passenger and fruit transportation and other facilities) suffer the most. The upper class (large businesses) is able to protect its property while the middle class relies solely on the capabilities of the state and peace. That is why the development of SME as a key factor in the establishment of middle class can play a significant role in ensuring the country's economic stability and growth. According to scientists, the developed countries ensure society stability and economic growth particularly through the establishment of and support to the middle class.

The entrepreneurs also have a strong contribution in supporting poor families, disaster relief, construction of housing for affected people, support for the people without custodians, construction of schools, medical units, libraries, cultural centers and other social facilities.

Thus, while economically the SME plays an important role in formulation of GDP and public budget as well as public emploement, its political and social mission is to formulate the middle class, increase the share of workforce, create jobs, reduce unemployment and poverty,

create a competitive market environment, mobilise tangible, material, financial and natural resources for the society development.

5.4. The state of entrepreneurship and financial support for its development in the Republic of Tajikistan

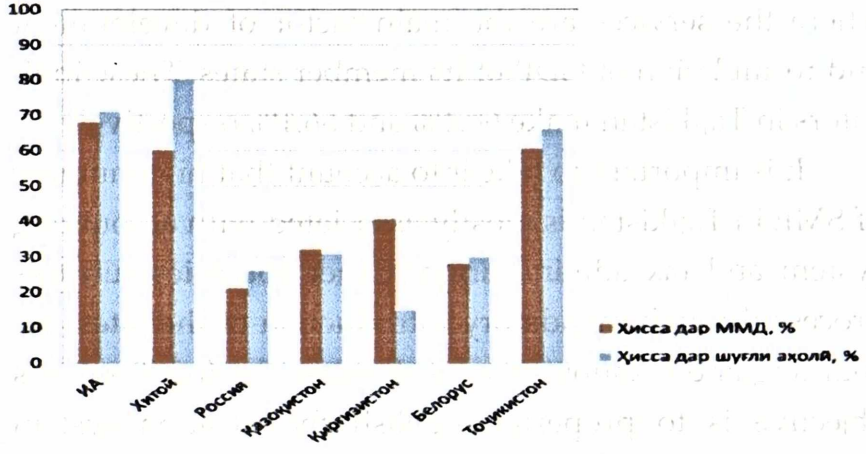
According to the statistics as of January 1, 2017 280,904 business entities were registered in the country meaning its increase by 146,960 units or 2.1 times compared to 2008. The main share of business entities falls on the dehkan farms (47.8 percent) and individual entrepreneurs (43.7 percent). Some 57.6 percent of business entities are engaged in the real sector (production of goods and products) and 42.4 percent in the services sector.

Bisiness activity in Tajikistan is run based on the laws on public protection and support of entrepreneurship in Tajikistan, on investment agreements, on public private partnership, on lycencing, on moratorium to inspection of business' operations, State Entrepreneurship Support Program" (2012-2020) and sectorial programs and strategies.

Constant reforms are conducted and entrepreneurs are granted many incentives through reduction of the number and rate of taxes and payments, number of in-

spection agencies, moratorium to inspection of businesses and other tools in order to support this area. This is the reason the share of this sector in the GDP and public employment is equal to the one in advanced countries.

While conducting comparative analysis it is important to take into account the criteria of inclusion of these entities into this group, business environment and existing potential of the country as they differ from country to country.



Graph 15. SME share in GDP and public employment across countries (in%)[16]

[16] Source: 2016 Annual statistics of the Agency on Statistics under the President of the Republic of Tajikistan and websites outlined in the items 8,9,10,11 of the bibliography.

As for the structural differences in the economies of Tajikistan's economic and trade partner countries, the share of SME in GDP and public employment is relatively low in those countries. For example, due to the small share of rural population in Russian Federation (26 percent), Belarus (22 percent) and Kazakhstan (44 percent) the share of SME, including *dehkan* farms in the GDP and public employment of these countries is relatively low. However, the SME's share in the GDP and public employment is 68 and 70 percent respectively in the EU, where the services are the main factor of development and formulation of GDP of its member states. These indicators in Tajikistan make 60.4% and 66.1% respectively.

It is important to take into account that high number of SME in Tajikistan is mostly associated with accounting system and tax administarion. Other countries run this process through mandatory introduction of the latest accounting and taxation systems, because the fiscal policy's objective is to properly establish the taxation system based on accounting and effective operation of economic entities. Regretfully, the number of large businesses is reducing every year in Tajikistan. For example, their number decreased by 490 in 2016 alone against 2015. [46, p. 223].

Indeed, the SME development depends on various factors: political, economic, social, macroeconomic situation, domestic market's capacity and the possibility and condition for reaching external markets, distance to them and the transport cost, cost of production inputs and labor force, public support and access to natural and financial resources.

To evaluate the SME development rate in the country it is important to compare its development indicators with such indicators in other countries.

The Russian Federation is one of Tajikistan's trade and economic partners and due to the low tax rate some of its product are imported to Kazakhstan and Kyrgystan, where they are processed and imported to Tajikistan. The largest share of the Tajik agricultural products is also exported to Russia through Kazakhstan and Kyrgyzstan.

Business enabling environment including low tax rates and incentives in neighboring countries can lead to the movement of the Tajik entrepreneurs' capital to those countries and creation of jobs and enterprises there, which can result in reduction of business entities and jobs in Tajikistan. Since the business formulate a large portion of the Tajik budget, this process may have a significant negative impact on the budget as well as the population's welfar.

It is no coinsidence that the Founder of the Peace and National Unity, the Leader of the Nation, President of the Rebublic of Tajikistan, H.E. Emomali Rahmon in his address to the Parlament of Tajikistan mandated the Government to develop its proposal on equalisation of taxation rate with Tajikistan's major trade and economic partners and neighbouring countries. It is also reasonable to adjust the business environment in the process of this order's implementation. [36, p.20].

The Tajik economy is more similar to the Kyrgyz one in terms of economic structure and indicator in other countries mentioned above. Tajikistan and Kyrgyzstan have several similarities: GDP (USD 6.9 billion and USD 6.5 billion in 2016), GDP per capita (USD 3146 and USD 3521), mountainous terrain (93 and 94 percent of their territories), the greater share of rural population (47.8 percent and 51.3 percent) and individual entrepreneurs (43.7 percent and 46.9 percent).

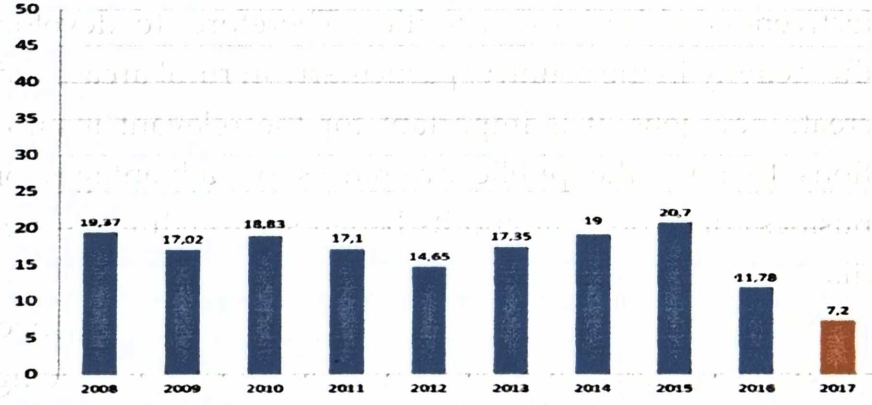
Comparative analysis of the business environment in Tajikistan and Kyrgyzstan shows that Kyrgyzstan has higher economic indicators of business development compared to what Tajikistan has. For example, the number of SMEs in Kyrgyzstan is almost three times more than it is in Tajikistan (808,437 and 280,904 respectively) though the population of Kyrgyzstan is less than the

population of Tajikistan by 45%. While in Tajikistan there is one business entity per 31 people, this ratio is greater by four times in Kyrgyzstan (1 business entity per 7.5 persons).

The survey of relevant institutions shows that the share of economicaly active population willing to engage into the entrepreneurship is 11.8 percent in Tajikistan while this indicator accounts to 25.5 percent in Kyrgyzstan and 31 percent in Russian Federation respectively. In our view, the reason for this is that our people are not well aware about the opportunities, ways of business establishment, access to finantial resources for business development, state support to the entrepreneurship and effectiveness of business activities. Therefore, to develop this activity in the country, particularly in rural areas, and create new jobs, it is important for the relevant institutions to raise the public awereness on advantages of business development and its benefits through mass media.

Internationally, the business situation is determined by the indicators of Doing Business. The 2017 Doing Business global ranking ranked Georgia 16th, Kazakhstan 35th, Belarus 37th, Armenia 38th, Russia 40th, Azerbaijan 65th, and Kyrgyzstan 75th. Tajikistan is 128th in this list. Based on the reforms implemented so far, our country

ranks 27th for protecting investors, 50th for enforcement of contracts, 85th for business regisistration, 97th for property registration while it ranks between 140-173 for paying taxes, getting credits, dealing with construction permits, getting electricity, trading across borders and resolving insolvency [49, p.1]. These figures testify to relatively favoriable environment for doing business in neighboring countries and require undertaking urgent actions to encourage establishment of business entities, protection of minority investors and their support by the state. One of the ways for state support is to ensure access by business to financial resources, particularly bank loans.



Graph 16. GDP share of loans issued to businesses (in%)[17]

[17] Source: National Bank of Tajikistan statistics bulletins for 1998-2017.

Although the share of SMEs in GDP of Tajikistan increased by 17.7 percentage point (from 46.8 to 64.5%) between 2008-2015, the share of loans issued to them in this period increased by 1.3 percentage point (from 19.37 to 20.7%) only. And, in 2016 due to the unfavorable economic situation these indicators fell by 4.1 and 8.9 percentage points respectively compared to the 2015. According to statistics for the first semester of 2017, the share of loans in GDP would fall by 7.2%, which indicates the existence of difficulties in this area.

The international practice uses various tools for state support to entrepreneurship, including in former Soviet Union countries. For example, Russia annually allocates huge resources from its budget to cover some interests of banks loans issued to SMEs. Specific government agencies are engaged in insurance of production and arrangement of export. Some countries, including Tajikistan established business support funds.

In practice, on top of the six types of aforementioned support many other types of support to SME are offered in many other aspects such as repayment of the interests of loans issued to entrepreneurs, government subsidies to manufacturing businesses, reduction of taxes for entrepreneurs, simplification of export procedures. Agricultural product loss risk insurance, granting funds per ani-

mal grown in farms, ensuring participation of entrepreneurs in public tenders, awarding public contracts to entrepreneurs, preferrable rent of public buildings to entrepreneurs, promotion of innovative business development, information support to entrepreneurs, support (funding) of entrepreneurs' project proposals, establishment and support of young entrepreneurs, granting incentives for use of public infrastructure, subsidise the cost for participation in goods and products exhibitions and other issues.

Table 6.

Areas of public support to SME

Title	Country					
	Armenia	Russia	Kazakhstan	Kyrgyzstan	Belarus	Tajikistan
Online registration of companies and businesses	+	+	+		+	
Immovable property cadastre system online services	+	+				
Electronic licensing system	+	+	+			
Special investment agreement		+				+
Profit tax incentives	+					+
Tax incentives based on investments		+	+	+	+	+

Exemption from or deferred payment of VAT upon import of certain group of goods	+	+				
Electronic tax return declarations	+	+	+	+	+	+
Business incubators and technoparks	+	+	+	+	+	
Public contract	+	+	+	+	+	+
SME development centres	+	+	+	+	+	
Insurance support for export of SME products	+	+	+	+	+	
Partial coverage of bank loan interests		+	+	+	+	
Support to SME in export of goods	+	+	+	+	+	+
Information centres		+	+		+	
Subsidies to partially cover leasing cost		+	+		+	
Business support fund		+	+	+	+	+
Guarantee fund	+	+	+	+	+	

Enforcement of some of the public supports is subject to the budget capacity and the need for business development. However, the implementation of some types of support such as repayment of bank loan interests to successful entrepreneurs, simplification of registration, legal protection of their interests and information support for business development does not require large amount of money. For example, the staff of the local authorities in

Vyazemsk district in Habarovsk province of Russian Federation conduct door-to -door visits to promote the business development environment and opportunities and its public support among people. As a result, the number of people engaged in this sector has increased by up to 30 percent, which is really a high indicator. For comparison, this indicator accounts to 18 percent in Tajikistan.

Some 7 of the 18 types of public support to entrepreneurship mentioned in the above table are in place fully or partialy in Tajikistan. The others either do not exist or are under development. For example, the e-government project will make it possiable to ensure immovable property cadaster system online services and electronic licensing. The State Committee on Investments and State Property Management has been undertaking actions to support entrepreneurs within the State Enterperneurship Support Program in Tajikistan (2012-2020).

Guaranteed repayment of loans issued to the entrepreneurs is a state support that can significantly contribute to the development of entrepreneurship. As the table above shows, this type of support is available in all of the countries mentioned except Tajikistan and has led to the development of entrepreneurship. Establishment and effective operation of guarantee funds in Tajikistan to guarantee the repayment of bank loans, part of the cost of

machinery and equipment leasing, and mobilization of funds for the production goods and products can lead to further business development, increase the number of businesses, create new jobs, replenish the budget, and improve the living standards of population.

CHAPTER 6
THE ORGANIZATIONAL BASIS OF DEHKAN (FARMER) FARMS AND THE POSSIBILITY OF ENSURING THEIR EFFECTIVE OPERATION IN THE COUNTRY

6.1. Establishment and development of dehkan farms in the period of national independence

Currently, Tajikistan is an agro-industrial country and agriculture is a priority for the country's economy. Its share in GDP makes up to 20 percent and it employs more than 60 percent of the active population and supplies 20 percent of country's export. The ongoing restructuring of agricultural entities within the agrarian reform and privatization process transformed the agricultural sector into a multidimensional economy during the past years. More than 145,000 dehkan farms are operative in the country's agriculture as of early 2018. They serve as the foundation for the agricultural economy and there is a trend of increasing number of dehkan farms in the coun-

try (Table 1). According to the forecast of national researchers and international consultants the number of dehkan farms will reach 200,000 in the coming years as a result of collective farms' restructuring into individual and family farms.

Comprehensive restructuring of the agricultural sector and transition to market relations will necessitates the establishment of dedicated institutions at the local level reflecting the objective and content of the reform. Dehkan farms as a market form of local farming have proved their importance and are based on long-term use of land and inheritance rights. Dehkan farms are the real foundation for further development of the national agricultural sector with the growing contribution to the gross agricultural output.

Dynamics of dehkan farms*

Provinces	2008	2009	2010	2011	2012	2013	2014	2015	2016
GBAO	131	204	255	116	131	131	134	178	145
Soughd	5794	7509	8885	12772	15515	19885	30835	54166	57868
Khatlon	13193	17617	27106	30032	39491	46415	52570	56774	57219
Government Subordination Districts	11724	12636	15126	15393	18669	21163	24496	29121	29875
Total	**30842**	**37966**	**51372**	**58313**	**73806**	**87594**	**108035**	**140239**	**145107**

*The table is drafted based on the data of the Agency on Stasistics under the President of the Republic of Tajikistan for 2008-2016.

The dekhan farms have an increasingly important role in increasing the agricultural production and growing contribution to the country's food security. Dehkan farms have an important socio-economic mission as follows:

- Food – dehkan farms play a significant role in agricultural production and food security of rural households
- Social – dehkan farm provide rural population with emploement and income, and reduce the pressure of social factors on rural areas;
- Preservation of rural lifestyle, folk traditions, customs and rituals;
- Preservation of a wide range of crops and animals, and thereby contribute to the conservation of biodiversity and improvement of the economic situation in the field.

Regretfully, the experience shows that the dehkan farms have yet to grow and become effective. This is primarily due to the weak legal framework, the lack of administrative tools and adequate management of dehkan farms creating barriers to effective performance of farmers.

First, the dehkan farm management system is not effective. Given the lack of information and clear subsector

policy, dehkan farms became virtually unmanagable and are far from the strategic planning process. Therefore, one of the most important issues is to improve the farm management system through the establishment of an automated accounting, information and marketing services system by establishing specialized auxilliary institutions such as the Financial Service Centre (FSC).

The key idea of FSC is that farmers themselves should serve as key players and stakeholders. Their direct involvement into the process of profitability of farms enables them to achieve significant results. Farmers definitely need support and assistance, and it is important to support their initiatives for further development and create new opportunities for use of existing human resources.

First, the farm management system needs to be improved. Farmers pay less attention to their financial an economic performance due to the lack of simple accounting. There is only an estimated assessment of the agricultural production efficiency and profitability, which is not sufficient, therefore the hands-on experience of their privatization in Tajikistan's agrarian sector piloted under the methodological guidance by international financial and economic institutions has not yielded the desired outcomes.

Indeed there is a market principles based economic mechanism and direct interest by farmers as the land owners with the right to longterm use and production of products. The farmer himself determines the price and where to sell his products. However, it is difficult to ensure effective production on very small land plots and even the conventional crops do not have good yield in these parcels. Growing cotton and cereal in small land plots is not efficient. It is becoming more difficult to apply machinery, irrigate lands and follow advanced agrotechnology rules. The cause of these issues is the weak production mechanism. Revival of the production mechanism meeting the current requirements is a priority task of authorised institutions.

Analysts of international organisations developed the following list of factors hindering farming activities based on a servey of the heads of farms:

- Lack of initial capital and free access to agricultural markets;
- Weak physical infrastructure and poor equipment;
- Limited land of dehkan farms for introduction of intencive technologies;
- Poor land reclamation;

- Poor knowledge and awareness of farmers on high quality and productive seeds and their application;

In our opinion the key reasons for farmers' challenges are:

- Lack of sincere willingness by dehkan farms to increase profitability;
- Poor mamagement and arrangement of agrarian marketing in dehkan farm;
- Low level of willingness for formulation of a productive farmer as the private owner in rural areas;

Overall, this shortcoming indicates the systemic crysis in the agricultural sector and the main economic entities - dehkan farms on the ground. This issue can be addressed through systemic approach and comprehensive improvement of the farm management systems by introducing a set of accounting and financial as well as information and marketing services.

The core challenge of the dehkan farm is the inefficient management system due to the lack of simple accounting. These conclusions are based on the sociological survey conducted in 2011 by international organizations with the support of Oxfam International within the Project on improvement of farms' financial situation. The survey results showed that one of the main issues in farm

development and efficiency is the lack of basic components of accounting and reporting. Lack of simple accounting and qualified finance and economic staff leads to significant losses in the agricultural sector.

In our view, this issue can be addressed through the establishment of financial service centres with established centralised accounting and reporting by dehkan farms. However, first we will discuss the theoretical foundations of the establishment and development of dehkan farms and then move to study of the essence and need for establishment of FSCs.

6.2. Theoretical foundations of dehkan farms management

Many direct and indirect challenges of farmers are primarily associated with the lack of understanding of the nature and content of dehkan farms as an institution of entrepreneurship in the agriculture. This term is neither a theoretical hypothesis nor the confirmation of outlook but a clear meaning of the dehkan farm. Moreover, there are different, sometimes contradicting understandings about the meaning of dehkan farm in our society.

The position of dehkan farm from the farmer's point of view preserves its usual position, however it is intro-

duced only through the contribution of the right to perpetual land use and it's inheritance.

In official's view, a farmer is the former peasant with some rights. His understanding is that the farmer operates only in his personal land plot, and he has freedom determined by authorities. On the other hand, investors believe that the issue of dehkan farms is mainly the lack of knowledge and skills for agribusiness. They think that training and experience would eliminate the issues faced by dehkan farms. Overall, the society perceives the farmer as a poor and needy person. This kind of opinion does not motivate farmers to increase their profitability and gain wealth.

The Civil Code of the Republic of Tajikistan neither provides the definition of dehkan farm nor describes it as an organizational form of economic activity or business entity. Undoubtedly, such an institutional shortcoming in understanding of the meaning of dehkan farm and formulation of a farmer as an agrarian entrepreneur leads to misunderstandings with its consequenses. It is possible to list many details of the farmer definition such as risk, innovation, profitability, dynamics, and even bankruptcy. For example, the institution of bankruptcy can be used as a mechanism to increase the farm efficiency as a whole.

The absence of records on bankruptcy of dehkan farms in the cotton farms debt crisis (2007- 2009) testifies to the negative perception of this financial recovery tool in the market context.

Only if the farmer himself understands the clear meaning of himself as an agricultural entrepreneur it will be possible to formulate entrepreneurial thinking. It will be necessary to formulate the idea of a farmer, who creates a favorable environment for dehkan farms, and guides them towards the ultimate goal, which is to get maximum income. This formulation of the farmer's opinion makes it possible to discuss the objective challenges and overcome many objective causes hindering the development of dehkan farms. Particularly, this view enables the farmers to act in an innovative and confident manner to adapt to external factors and to take risks.

Continuous debates on the size of farming ownerships, which is of particular importance in the academic environment, has shifted to the real agrarian sector of Tajikistan today. Supporters of small farms' effeciency has reduced even among the international researchers. This is mainly due to the size of individual and family farms with about one hectare of land and with approximately 0.3 hectare in selected districts like Isfara.

The idea of liquidating kolhoz (collective farm) and sovhoz (soviet farm) entities and their replacement with smaller dehkan farms in Tajikistan was implemented without any thinking on their economic and management efficiency. The frontline of the goals focused not on economic efficiency but rather on the ideological goal of agrarian reform. In fact, the reform of kolhoz and sovkhos entities, which operate for loss, was done for purpose, but their entire privatization without taking into account their further operation led to serious challenges.

The international experience proved that neither the size of dehkan farms nor the nature of ownership, nor the institutional and legal form can serve as the factor determining the effeciency of dehkan farms. There are many examples and all of them refer to one point - the management effectiveness. For domestic dehkan farms, the good governance, especially financial management, including accounting and the agro-marketing system largely determine the farm success and performance. Only those farmers, who apply the basics of financial management and agro marketing principles in their activities, have achieved significant outcomes in agrarian business.

The most comparable pillar of the large and small farms' efficiency in Tajikistan through the analysis of indicators shows that it has long exceeded the optimal

norm for even small farms but the process of farm division is still ongoing. Therefore, improved efficiency of farm management remains as one of the critical issues.

Currently, there is ongoing debate in economic publications about the benefits of agriculture, including dehkan farms remaining in the hands of intermediaries. It is important to note that according to the market principles, multiple players participate in the process of "production-delivery to market, wholesale " and each of them play a certain role in this process. The market economy to some extent operates in favor of intermediaries and they have a positive role in the process of agrarian reproduction. Therefore, it is not reasonable to eliminate them. It is only important to regulate their operation taking into account the interests of producers.

It is obvious that the square pyramid is one of the most stable geometric figures. The stronger its foundation is the higher it can be. The main piles of the pyramid show the core (systemic) factors of running agribusiness and answers to the question of a typical dehkan business module: "who? - what?- how? - why?". The height of pyramid is its result - the dehkan farm's profitability. The size of the pyramid reflects the efficiency of dehkan farms and the management system should strive to improve it.

Some 73 percent of Tajikistan's population lives in rural area and 2/3 of population is engaged in agricultural production. This leads to a conclusion that the number of population employed in the agriculture makes more than half of the country's population. Therefore, farmers are the main reflectors of Tajikistan's national interests. Thus, a conclusion can be made that implementation of national interests is directly linked to the profitability of dehkan farms. Increase in a farmer's income even by TJS 25 a month (about 10 percent) would increase the total revenue by TJS 1.2 billion a year nationally.

Proper arrangement of accounting, enforcement of agro-marketing system and improvement of management in dehkan farm alone can increase their profitability by up to 10-15 percent without any additional financing.

Indeed, the agrarian policy concept framework, agrarian reform strategy and the program for development of agriculture and its individual subsectors as well as activities on their implementation are in place and they are under implementation to some extent. Sadly, their implementation cannot address all farming issues since they focus not on the national farming interests rather ensuring state interest (the public budget target achievement). Therefore, the main trade and the targeted goal should be increased profitability of farms and the nation-

al economy. Increased farm profitability will double tax revenues through the taxes paid by dehkan farms.

One of the most important issues for the dehkan farms is to ensure a proper functioning information system on opportunities and efficiency of their performance. To effectively introduce information management at the national level it is important to establish an information system for dehkan farms. Such a system comprises of a set of important factors, including the collection, processing, storage and dissemination of information. The level of information supply reflects not only the situation with farms, but also the process of their growth, prospects and new horizons.

The information system for dehkan farms is an integral part of the production process and an important tool in ensuring the competitive advantages of individual dehkan farms and the sector as a whole.

Lately the information systems use remote technologies thanks to the progress in IT industry and availability of World Wide Web (WWW). This will not only ease the work of farmers but also facilitate the performance of works that were previously difficult and even impossible to implement. Particularly in this stage the automated information management system for dehkan farms is created, which facilitates the establishment of remote ac-

counting and the submission of electronic tax returns of family and individual farms.

6.3. Financial Service Center (FSC) and its importance

The Financial Service Center is a set of interlinked accounting, financial and information marketing services provided to farmers through automated customer service system aimed at increasing farm profitability.

The FSC strategic long term goal is to improve the management system of dehkan farms and overall to ensure food security, strengthen the export capacity of the agricultural sector and build middle class at the local level.

The FSC tactical midterm goal is to improve the management of farm through an automated system for farm accounting, simplification and submission of electronic interim tax returns aimed at increasing the farm profitability.

FSC is based on voluntary arrangement, transparency and universal access with the main goal of increasing the farm profitability. The FSC is guided by the following principles:

- **Hierarchic-** FSC is established as a multilevel system and covers *Jamoat* (council of several villages), district, province and national levels;
- **Demand** – FSC is established with a view to providing accounting and providing financial as well as marketing and information services to local farmers and producers;
- **Fee-based services** – FSC institutions provide fee-based services;
- **Output** - farmers' productivity and profitability are selected as output indicators;
- **Encouragement and equal obligations** - participation in fulfillment of farmers' obligations to each other and other producers of agricultural products with FSC to achieve output - participation in sharing profit and covering costs;
- **Qualification and labor division** – assist dehkan farms in addressing their issues through particiPaton in division of labor by providing effective and specialized services on accounting and financial, and information and marketing services;
- **Trust**- providing services meeting the needs of costomers with a view to deserving the mutual trust between the process actors.

The FSC set of services consists of a package of compulsory subscriber services, a set of additional accounting and financial, informationa and marketing services and operation of a farm financial managemen system.

The package of compulsory services includes:

- ✓ Establishment of dehkan farm accounting.
- ✓ Electronic submission of farm reports;
- ✓ Assessment of financial and credit situation of dehkan farms;

Additional selected services include:

- ✓ Assistance with obtaining loans and capital;
- ✓ Marketing analysis of agricultural product market;
- ✓ Exploring strategic buyers of agricultural products;
- ✓ Formulating farmers' pricing policy
- ✓ Facilitating access to foreign market;
- ✓ Providing additional financial services (leasing, factoring and so on);
- ✓ Developing business plan for farms to get loans;
- ✓ Support in signing futures contracts for production and sale of farm products;

- ✓ Insurance of agricultural risks and futures contracts;

Farm financial management system:

- ✓ Development of investment project proposals for investment mobilization;
- ✓ Development and implementation of dehkan farms' innovative business modules;
- ✓ Drafting dehkan farm development strategy;
- ✓ Development of marketing strategy for accesses to external markets;
- ✓ Introduction of quality assurance system;
- ✓ Financial assets and risk management.

FSC always takes into account the direct and indirect interest of dehkan farms and undertakes the following actions in this regard:

- ✓ Establishment of simplified accounting system for strategic planing and operational management of farms;
- ✓ Analysis of financial and economic activities and identify internal resources;
- ✓ Timely submission of online electronic statistical reports and tax returns without leaving the pro-

duction process and by saving extra transport, administrative and other costs;

- ✓ Assessment of the financial situation and borrower capacity of farms to mobilise bank resources;
- ✓ Increase profitability of farms taking into account the incentive mechanism for business development and efficiency.

In this regard, it is important to note that the Administrative Code of the Republic of Tajikistan envisages fine for violation of tax legislation by dehkan farms for the absence of accounting or breach of accounting procedures in place.

FSC also provides following services:

- ✓ Individual consultations on financial inclusion and financial stability of dehkan farms;
- ✓ Mobilizing bank loans for business plan based production;
- ✓ Use of innovative financial mechanisms and tools;
- ✓ Application of reasonable prices for agricultural products and fixed assets through introduction of a unified pricing policy;
- ✓ Organizing wholesale of products through dehkan farm cooperatives;

- ✓ Signing futures contracts for future harvest of dehkan farms;
- ✓ Signing futures contracts for purchase of agricultural fixed assets;
- ✓ Entrance to the new domestic and foreign agricultural and food markets;
- ✓ Increasing value added of agricultural products through vertical integration;
- ✓ Select profitable crops based on productivity projections taking into account the land agroclimate, capacity and fertility as well as global prices for basic agricultural products
- ✓ Productions risk insurance.

Overall establishment of FSC and use of its benefits will make it possible to properly introduce accounting and reporting in dehkan farms. This, in turn, will improve the financial situation of farms and lay a foundation for profit. The way to success in this regard is creation of encouraged and productive farmer, whose main goal is to make profit from his activities.

6.4. Ways of doing business in the contemporary situation

Nowadays environment friendly products of Tajik producers are very popular not only within the country but also beyond it. However, the volume and frequency of shipment remain the weakest part of the country's agricultural export capacity. Replication of "One Village One Product" method of Japanese farmers can be helpful to overcome these issues. Given the specifics of the Tajik agriculture, the viability of this approach can be ensured through:

- Capacity for establishment of a stable and guaranteed supply of agricultural products by entering domestic and foreign markets;
- Exploring and attract strategic buyers and investors for agricultural products, including the future harvest;
- Improving the production mechanism and adept it for the introduction of intencive technologies, including through strengthens institution of trust;
- Expanding the value chain strengthening the comertialization of the agriculture;
- Establishing boundary agricultural export clasters;

- Developing a single brand of Tajik agricultural product.

Implementation of the "One Village One Product " approach would help identify and attract local resources and mobilize real capacity on the ground specific to each region, and promote expansion of competitive agricultural products in foreign and domestic markets.

The main objective of "one village one product" is to make sure that farmers in selected villages independently decide based on economic goals what profitable products to produce and where to sell them.

The agricultural market cannot exist beyond the relationship between the agricultural entities and their mutual trust. Trust is an integral part of public capital and the key indicator that strengthens farmers' partnership, reduces exchange transaction cost, and increases the farm profitability and economic efficiency. There are still many factors affecting trust between farmers. This is the reason for relatively high agricultural transaction cost. These reasons include:

- Incomplete and inaccurate marketing and marketing information;
- Uncertainty with regard to official market institutions;

- Doubts in dehkan farms from legal perspective;
- Lack of trustful relationship with partners through vertical and horizontal connections.

The level of confidence by the dehkan farms can be taken as a fundamental criterion for the operation of FSCs and the factor for increased profitability of dehkan farms. Several steps can help influence farmer's confidence to increase their profitability:

- Facilitate suitability of economic incentives for dehkan farm and development of a concerted farm pricing policy;
- Reduce transaction cost for farms and partners;
- Vitalize information exchange and cooperation on transportation of agricultural products to domestic and foreign markets.

Building the institution of trust is valued as an important issue in the institutional economy, and it has a strong practical nature as this institution is becoming the main source of modernization of the agricultural economy. Arbitration court, which becomes a legal platform for resolving disputes and conflict between farms, agribusiness partners and their service providers, can serve as a

successful mechanism for enforcement of the potential of the trust institution.

The farm profitability is a key to dehkan farm development and middle class establishment. The vast majority of existing principles and methods of increased profitability of farms are based on technological progress, which unfortunately could not contribute to getting tangible outcomes.

It is important to note that there were many attempts to increase farms' economic profitability. However, they all had one shortcoming: it was top to down (initiated by government and local executive authorities, investors and international organizations' projects, scientists and researchers, the farmer associations, and e.t.c.), but not bottom up (coming from farmers) approach. Therefore, no visible progress is made in this area and the mindset and behavior of farmer has not changed much.

It is important to undertake appropriate measures to restore farmers' initiatives, use their intellectual potential and mobilize their capacity to increase profitability. Their goal should be primarily to build farmers' confidence and reliability in achieving high and sustainable profitability through the targeted efforts and genuine competition.

FSC first of all assures farms that the tax authorities would never discuss the outcomes of these actions and

the achieved results would not be used as an additional source of tax revenues. Hence, farms pay a single agricultural tax only and social tax for their members. It is important to avoid all attempts to use the outcomes of these actions and pressure, and consider them as a corruptive initiative.

In our opinion it is important to implement the FSC establishment in three phases:

Prior to investment. At the first stage trial tests are conducted and the automated system of electronic accounting and online electronic tax returns system is developed and individual farmers and consultants are trained. At this stage, services are provided to motivated and relatively trained farmers.

Investment. Transition to the investment phase means the start of an extensive piloting of FSC services in several districts.

Application. The final stage of application introduces fee based automated system of accounting and electronic tax return for dehkan farms in a wide range of districts.

FSC directly or indirectly encourages almost everybody in the target areas and has a significant impact on the development and agricultural entrepreneurship thкoughout the country. The FSC is attractive due to the

consistency of efforts by all agrarian business actors - the state, major donors, farmers and farmer associations, scientists and practitioners. Therefore, the FSC establishment can have a significant impact on the development of private agrarian entrepreneurship in Tajikistan.

The national economy also benefits from the FSC through:

- Increased budget revenues at various levels thanks to the reasonable operation of dehkan farms' accounting, increased funding to support the development of the private agriculture, reduced nonproductive expenditures, including the formulation of a compensation system in line with the terms of Tajikistan's membership in WTO;
- Increased agricultural production capacity, increased production of industrial processed goods and products, their inflow into additional investments taking into account exports, improved competitivness of agricultural products in domestic and foriegn markets.
- Reduced overdue and increased capacity for repayment of loans and solvency by the dehkan farms through the enforcenment of the farm financial situation assessment system.

Thus, proper arrangement of the activities by dehkan farms, establishment of subsidiary agencies, including financial service centers, improving farmers' confidence in the effectiveness of their activities through assestment of their profitability, creation of "production-distribution-consumption" chains benefitial to farmers, efficient pricing system, increased share of farms in final value of their products and other aspects serve as key to further development of the agriculture.

CHAPTER 7
FINANCIAL ASPECTS OF THE DEVELOPMENT OF ECONOMY IN THE GLOBALIZATION PROCESS

7.1. Fiscal policy and its current challenges

It is obvious that all countries enjoy close economic and trade relations between each other and the economic situation of any country depends on the economic situation of another one. These ties and interdependence will increase in the process of globalization and the integration of countries into a single world economic system.

Objective economic laws provide for irregular economic development. In other words, the economy does not always rise, and after a few years it enters an unfavorable or crisis situation, its growth rate slows down or declines, however, it grows again later with the implementation of certain actions. In some cases, difficulties in interstate political relations can also lead to the deterioration of the economic situation of an individual country or

a group of countries. For example, the Russian Federation's position with regard to some international issues and sanctions of superpowers against it led to unfavorable economic situation in this country and its trade partners, including Tajikistan.

The task of government agencies in such circumstances is to reduce the negative impact of the unfavorable situation or crisis on the country's economy. To this end, the relevant government agencies pursue appropriate economic policies with the fiscal policy as an integral part of it. Economic policy is a set of government measures to ensure the implementation of predetermined tasks in the economy.

The government annually makes forecast of its macroeconomic indicators for the next year and drafts its sectorial plan of actions and the national and local budgets based on this forecast. And, the economic policy in the following year should make sure the adopted micro and macroeconomic indicators are met, as their achievement, in turn, will lead to the fulfillment of the government's commitments before the people and global partners. For example, the government has obligations before people to pay salaries, pensions, social spending, and so on. Failure in fulfillment of micro and macroeconomic indicators, including GDP growth indicators, inflation rate, etc., leads

to failure in fulfillment of budget revenues and expenditures, respectively. Therefore, one of the main tasks is to pursue an economic policy in line with the current context and to ensure the achievement of indicators and implementation of commitments.

The purpose of the state and the main objective of its economic policy is to ensure or achieve a balanced development of the economy, encourage economic development, ensure high employment rate, maintain inflation, ensure the national currency purchasing power, regulate foreign economic activities, ensure economic security and efficiency of economic operation. To perform these functions, the relevant institutions use fiscal (regulation of budget revenues and expenditures based on the need to encourage economic development and maintainence of stable prices), monetary (changing the amount of money in circulation based on the need to ensure price stability) and legal (improvement of legislation based on the need to create a legal framework for economic activity) tools.

As we can see, one of the economic policy instruments is the fiscal policy and its proper implementation together with the monetary, customs, social and investment policies, is the key to economic growth and the implementation of government financial programs. Fiscal policy is a set of measures for the formulation and use of

financial resources to ensure the fulfilment of government functions. In other words, it is the government's regulatory actions to establish economic relations for the formulation, distribution and effective use of public funds.

Each country pursues its own fiscal policy depending on the level of arrangement and capacity of its respective institutions. The tasks of the state and its fiscal policy are to create environment for the formulation of maximum financial resources, reduce the tax burden, regulate government liabilities, use financial resources to address priorities, minimize the dependence of budget revenues on fluctuations in the global exchange rates and prices, create an effective system of intergovernmental fiscal relations and manage public finances. The implementation of these tasks will enable the relevant institutions to achieve the determined goals, including the formulation, distribution and proper use of budget funds, control over their effective use, proper identification of taxable items and tax rates, ensure effective operation of the insurance system and its institutions, and effective audit system in the country.

Creation of environment for the formulation of maximum amount of financial resources, which is a priority task of the state and its fiscal policy, requires establishing

and enforcing a proper accounting system. Only in this way it is possiable to propery calculate all sources of taxation and budget formulation and channel relevant funds to the budget.

Regretfully, despite the adoption of the Law of the Republic of Tajikistan on Accounting and Financial Reporting and other relevant documents and instructions the accounting has not yet been properly established. It has yet become a universal and mandatory requirement for all entreprenuers and individual entities. This is the reason honest entreprenuers are not able to properly arrange accounting in their enterprise, because a proper accounting system, recording all transactions and paying all taxes and fees increases the cost and reduces the competitiveness of their goods in the market. This leads to bankruptcy of honest entreprenuers.

In fact, all entrepreneurs register their operations and keep track of their income and expenditures in a certain way. It is only important to systemize these records and their submission to the tax authorities. As soon as there is a demand for accountants, local accounting centres will be established, where each accountant can serve several individual entreprenuers or legal entities. Further, audit companies will emerge, which in accordance with

the law, have to confirm the accuracy of transactions in the balance sheet of companies and enterprises annually.

Therefore, it is important for entrepreneurs to operate as legal entities, register all their operations, record their property, assets and liability, and regularly report to the relevant institutions. They should have their accounts in banks and other credit institutions and use them to implement financial transactions. In this case, entrepreneurs enter healthy competition and get encouraged to apply innovative technologies. Importantly, they pay their taxes and fees in a timely manner.

Accounting will enable us to move away from the system of permits and certificates, which is typical to war period and transfer to a proper and satisfactory system of taxation. This will generate taxation culture, which is very important for a progressive society. On the other hand, entrepreneurs will no longer allow various institutions to interfere with their activities. This, in turn, will reduce corruption.

Pursuance of tax policy, correct defining of taxable items and tax rates, timely change of tax rates based on the need to support selected sectors, prevention of ungrounded interferance and pressure by representatives of various institutions on entrepreneurs and producers is

another task of the authorised agencies and the fiscal policy.

Sadly, for obvious reasons the country's insurance system is not yet properly established. The local insurance companies are very weak and do not have capacity to cover losses. On top of that, they have not yet deserved the trust of the people, and therefore have a tiny number of customers. The adoption of a law on insurance would contribute to the sector's development. This sector has a great amount of resources and is the main source of long-term finance in developed countries, which is very important for the economic development.

Accounting requires establishing and developing the national audit sector, hence, according to the law every legal entity has to get its financial statement audited annually and receive audit opinion. Auditors are not merely auditors, but also assistants of entrepreneurs in ensuring proper accounting.

Effective fiscal policy requires its coordination with monetary policy. Maintaining stable inflation and purchasing power of the national currency is a common task of the country's economic block. Therefore the fiscal and monetary institutions need to work closely together.

7.2. Ways to improve financial relations

Based on the need to ensure the economic growth, to protect the country's interests in the globalization process, formulate and adequately use the budget funds, ensure profitability of selected areas of production, improve people's culture of tax payment and address other financial issues it is reasonable to implement the recommendations beow:

- *introduce mandatory accounting and timely submission of financial reports to tax authorities by legal entities.*

Introduction of mandatory accounting means that the relevant agencies make a decision on this issue and strictly monitor its implementation. It is important for all entities to keep records and register all their transactions and pay other official taxes and fees based on their performance. Failure to comply with this requirement by even one percent of the entities will result in the rejection of 99 percent of the remaining entities.

- *transform farms, enterprises and individual entrepreneurs into legal entities.*

The country's legislation provides for certain requirements towards legal entities and compliance with them ensures transparency of economic entities' opera-

tions. These requirements include mandatory introduction of records, their submission to tax authorities in legally binding deadlines, annual audit of the entity's balance sheet and others. Implementation of this recommendation in the practice of management would lead to improved management of legal entities and proper arrangement of their activities.

- *Opening of bank accounts in financial institutions by legal entities and implementation of their settlements through their accounts.*

Having accounts in banks and settlements through them enables to register all transactions and ensure fair taxation. In addition, this action will enable the banks to use temporarily free funds of some entities to meet the temporary needs of other entities and thereby ensure contribution of those funds in the development of the country's economy.

- *widespread use of electronic devices for submission of financial reports.*

One of the most effective ways to combat corruption is to prevent direct contact between government officials and the representatives of economic entities while addressing economic issues. Submission of financial statements and other information to regulatory agencies

through electronic means will eliminate this undesirable practice.

- *use of cash registers in all points of sale, enterprises and organizations - sellers of their products, registration of transactions and payment of taxes and fees based on the balance sheet of the legal entity.*

Registration of transactions carried out by entities is one of the main ways to correctly determine the financial capacity of the entity and its fair taxation. The widespread use of cash registers makes it possible to determine the financial capacity of entities individually and in the country as a whole. This, in turn, helps to plan the development of production, accurately predict micro and macroeconomic indicators, and change them in response to changes in the economic situation, and so on.

- *proper record of the imported and exported goods and services.*

Proper arrangement of accounting and fair taxation at the level of entities requires accurate recording of the importation and exportation of goods and services to and from the country. To do so, it is important to equip the customs authorities with the necessary devices and upto-date software in line with international standards.

- *preparation for establishment of accounting centres at local level.*

Currently more than 327 000 economic entities are operative in Tajikistan and there is no need for each of them to have their individual accountant. Since the majority of entities are SMEs, one accountant can serve several of them. Therefore, establishment of the financial service centre and thereby maintaining accounting documentation for the majority of entities would be reasonable.

- *simplify the system of taxation and granting tax relieves to honest taxpayers.*

To ensure economic progress and motivate investors for its growth in the country, it is important to maintain the taxation system at the same or better level than in other neighbouring countries. Otherwise, the domestic and foreign investors launch their production and services in neighboring countries and import finished products to Tajikistan. This would reduce jobs and the country's budget revenues. Granting relieves to honest entrepreneurs would encourage other businesses for timely fulfillment of their tax obligations.

- *enhance the audit system and introduce mandatory annual audit of the balance sheet of legal entities.*

Audit company is the institution evaluating the transparency and accuracy of accounting transactions in the advanced world. It is important for our country also

to enhance its audit system and the audit companies should annually evaluate the reliability of the balance sheet of business entities to ensure transparency and compulsory recording of all accounting transactions.

- *vitalize the insurance activities in the country and thereby formulate long-term financial resources.*

One of the reasons for the lack of long finance and thereof underdevelopment of mortgage scheme crediting for construction of grand facilities, education and other activities with a longer maturity of repayment, is the lack of a modern insurance system and development of relevant companies in the country. In the advanced countries, the funds of insurance companies formulated in the entire process of the operation of individuals and entities, are used for long-term financing and thereby they promote economic development of respective countries.

- *coordinate fiscal and monetary policies, ensure close cooperation between the fiscal and monetary institutions.*

To pursue an effective economic, including fiscal and monetary policy, it is crucial to coordinate the work of relevant institutions. It is important to coordinate all programs and plans of government agencies within the Economic Council or the Financial Council to make sure the implementation of selected areas of economic policy

meet the national interests. Thus, running a sound fiscal policy, its timely coordination with other parts of economic policy, its regulation with regard to economic processes enables to:

- determine the country's financial capacity and pursue a consistent tax and customs policy;
- encourage economic players to increase manufacturing of marketable products by introducing accounting and clearly defining the effectiveness of certain sectors of the economy; and
- introduce taxation of business entities based on their actual performance.

7.3. Monetary policy sensitivity and the need for its pursuance based on the national interests

Termination of economic and trade relations, disruption of settlements with the former USSR member states, cessation of centralized funds from the Union's general budget, rapid rise in import prices of energy resources and consumer goods, and on top of that, engulfment of Tajikistan into the civil war collapsed the country's economy and caused damage worth of billions of U.S. dollars to it. Furthermore, a large amount, approximately 65 billion rubles worth of devalued banknotes is-

sued in the USSR in 1961, which were withdrawn from circulation in other countries, entered Tajikistan and posed a serious threat to the country's economy. The rise in inflation was out of control.

During this period, the country's domestic debt increased due to the lack of cash to pay salaries, pensions, student scholarships and benefits. There was almost no funding of economy. In these circumstances, the National Bank of Tajikistan did not have the capacity to independently implement its monetary and exchange rate policy.

On May 6, 1995, with a view to protecting the interests of the Republic of Tajikistan, accelerating economic reforms and establishing the national currency system of the Republic of Tajikistan, the State Commission of the Republic of Tajikistan on introduction of national currency issued its Resolution on introduction of the national currency – the Tajik Ruble in Tajikistan as of May 10, 1995.

The introduction of the Tajik ruble to some extent made it possible to stabilize the economic situation and to prepare for the issuance of new national currency banknotes – Tajik Somoni (TJS). During this period, actions were undertaken to strengthen the purchasing power of the Tajik ruble and enrich the domestic consumer market, the exchange rate of the Tajik ruble against foreign cur-

rencies was determined, settlements with the former Soviet republics were settled, and relevant regulations on currency control were drafted and adopted. Furthermore, the introduction of the Tajik ruble enabled the Government of the Republic of Tajikistan to repay its domestic debt to citizens of the country on salaries, pensions, student scholarships and other relevant payments, and the National Bank of Tajikistan to pursue an independent monetary policy.

First of all, it is important to acknowledge that the US dollar is also a commodity, and the market determines its value (price) like all other commodities. For example, one person sells potatoes, another individual sells apples, and the third person sells dollars in the market. The exchange rate is the price of money and it, like all other goods, depends on supply and demand. If the potato increases in the market, its price will go down, and when its volume decreases in the market after the season passes through, its price goes up again. The value of the US dollar as a commodity also depends on supply and demand. In recent months, the inflow of foreign currency into Tajikistan decreased by 37% and this is indeed a huge amount. Foreign experts estimate that US dollar inflow to Tajikistan could fall by 1.5 billion a year. When the inflow of US dollars decreases, the amount of Tajik

Somoni in circulation should be reduced accordingly, however, it is not really easy to do so. Therefore, when there is a misbalance, the value of the US dollar, in other words its rate rises.

To reduce the negative impact of such cases settlements on sale and purchase and services are performed in the national currency in the majority of countries. The national currency – Tajik Somoni is the sole means of payment in accordance with the Law of the Republic of Tajikistan on the National Bank of Tajikistan, however, in fact, a part of payments are made in foreign currency that is in favor of importers, but it is detrimental for the society.

It is obvious that everyone in Tajikistan gets his or her salary in the national currency – Tajik Somoni and pays for goods and services in the market in Tajik Somoni, meaning the purchasing power of the population depends only on changes in the prices of goods and services. Unfortunately, the lack of accounting and strict requirements for the use of Tajik Somoni as the means of payment has resulted in the use of the US dollar and the negative impact of its exchange rate fluctuations on our purchasing power.

The structure of consumer demand and consumer basket also changes respectively in case of the national

currency exchange rate fluctuation. The consumer basket consists of primary and secondary consumer goods. There is a certain ratio between them changing based on the income of the population. For example, the share of food and non-food items was 48 percent and 52 percent respectively in the consumer basket at the end of the last year. Following the impact of the crisis and declining incomes, this ratio shifted towards increase in the expenditures for food items. This means that people now spend greater part of their income for food and less for secondary goods such as telephones, computers, cars, and so on.

It is important to pursue a monetary policy by paying attention to the monetary policy of the economic and trade partner countries. For example, to maintain the purchasing power of the population and ensure economic growth during the global financial crisis (2008 - 2009), neighboring countries including the Russian Federation to 156 percent, Azerbaijan to 35 percent, Uzbekistan to more than 50 percent and Kyrgyzstan to 22 percent devalued their currencies and thereby protected both their gold and foreign exchange reserves and maintained the purchasing power and production growth at a certain level.

In our country, the national currency exchange rate also fell by 37 percent, but it was not the result of sound

monetary policy, rather the result of pressure of the unfavorable situation in the foreign exchange market. As a result, foreign exchange reserves were partially lost, which was not reasonable.

7.4. Reform is the key economic growth driver in the globalization process

National economy always needs to be reformed, because it is a part of the world economy, which cannot meet the growing need of people without progress. Reform is correction and adjustment of economic relations with the requirement of the time. The economic growth rate would fail without continuous reforms. For example, the EU member states are advanced, however, every time a member state holds the presidency of the EU Council for a certain period (six month), it proposes its own reform agenda. It is important to run continuous reforms in Tajikistan also to adjust its economy to the current context and the global relations requirements. It is important to always analyze the global market situation, and based on that define the demand in goods and services for the current and several coming years, and ensure national production based on this need.

Now the science and engineering development speed reached the level, at which a part of innovations in this sector get outdated within one month or even less and only those with the ability for timely use benefit from these innovations.

The Tajik Government has ongoing designated programs for development of all sectors. Indeed, effectiveness and the outcomes of these programs depend on specialists' capacity and their qualification with the time requirements and development level of the science and engineering.

Any country willing to achieve economic development, primarily introduces an adequate investment mobilization mechanism disregard the type of investment: domestic or foreign. Indeed, it is better to have more domestic investment, because domestic investors have a stronger contribution to the budget formulation. It is important to have peace and stability in the country and more importantly friendly attitude of people towards investment mobilization. Gratifyingly, nowadays the political situation in Tajikistan is stable, however, the Tajik economy is externally assessed based on the regional situation, i.e. the instability in the neighboring Islamic Republic of Afghanistan and the rumours published by local and international media causes concern of investors.

Also, our relations with neighbors, challenges associated with the exportation and importation of goods to and from other countries, the relatively higher costs due to mountainous terrain of the country, high transportation cost and other issues affect the investment climate. These factors discourage investors to invest in Tajikistan as they are not sure that their investment would be fully protected. Indeed, the Tajik Government undertakes all necessary actions to continuously improve the economic situation and the investment climate. However, we need to welcome and protect more and better the investors locally.

Another fact is that the people still follow the Soviet mentality, i.e. they still do not acknowledge outside capital and property. For example, property is of high value in the majority of foreign countries. One cannot enter the house or manage the property of another person without the owner's permission. Any investor, either domestic or foreign, would be discouraged if others interfere with his or her property in Tajikistan. A large number of people operating in the markets lose their jobs. The investors not only get discouraged, but also share their feedback with other investors since there are international institutions and non-governmental organizations operating in the

country, which evaluate Tajikistan's economic situation and investment climate through surveys and studies.

Therefore, the Tajik Government, with a view to ensuring a favorable investment environment, undertakes necessary actions. For instance, the sessions of the Investment Climate Improvement Consultative Council of the Office of the President of the Republic of Tajikistan always discusses the alignment of the national legislation with the latest requirements and variable economic relations environment and the investment challenges.

Indeed, improvement of the investment climate is an ongoing process and overcoming shortfalls requires reforms on one hand, and changing our behavior to property on the other hand.

Overall, constant economic reforms will make it possible to bring the economic management system and the principles and procedure of economic policy in line with the imperatives and thereby ensure effective economic system in place and meet the public daily needs. Thus, a conclusion may be made that the supreme and eventual objective of the reforms is to facilitate improvement of environment and living standards of the country's population.

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